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# West Europe Report

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25 July 1984

## WEST EUROPE REPORT

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## SCHMUECKLE WARNS AGAINST HASTY REJECTION OF SPACE WEAPONS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 16 Apr 84 p 12

/Article by Gen Gerd Schmueckle /ret/: "Laser Weapons in Space: Hasty Rejection of New Systems Would be Unwise"/

/Text/ The peace declared at the Congress of Vienna lasted 40 years, only to be brought to an end by the Crimean War. The peace established by Bismark also ran aground after 40 years in the battles of the First World War. The period of peace brought about by NATO will soon also be entering its 40th year, and hopefully will not be terminated by war, although a political weakening of the Western Alliance could dissolve the bonds between the member nations. In the past this has never occurred because the NATO Council has always acted so skillfully that unity among the member nations could always be re-established. In addition, the military core of the organization always acted as a stabilizing factor when it was exposed to political dangers from within or without. NATO was also always able to flexibly adapt to changing political, economic and technological situations. It developed from an idealistic community to a common-interest group. The Cold War was followed by a policy of detente. Strategy was differentiated, and arms control was made a cornerstone of NATO policy.

Must the Alliance readapt? It appears so. The policy of nuclear deterrence is meeting with resistance, and the realization that man is able to destroy all of mankind has aroused pangs of conscience. Fears, both justified and unjustified, have been awakened. There are those who say that NATO should give in to these concerns, although the Alliance had attempted to do just that: The goal of detente was not only to find possible areas in which East and West could come to an understanding, but also to achieve such mutual trust that stockpiles of weapons could be reduced. This goal was never realized.

Basically speaking, mankind has known only arms escalation, not reduction. Arms reduction talks ahve frequently become propaganda displays. Each side wanted to be seen as the more peace-loving, while at the same time attempting to achieve advantages for itself. Politics does not prohibit such activities, and international diplomacy must take such objectives into consideration. On the other hand, much good will and power of imagination have been invested in these negotiations with less than optimistic results--we have not even been able to eliminate even the most dangerous weapons.

We must ask ourselves if other methods would not be more successful. Could not the most threatening weapons be neutralized through technology? This would have been possible for the first time with the neutron bomb. Regardless of whether or not we felt this weapon should be included in NATO's arsenal, one of its effects could not be overlooked: It could have been used to neutralize to a certain extent one of the most deadly of offensive weapons--the tank. The ability of a specialized weapon to render the powerful tank armada of the East Bloc ineffective shows that we missed an opportunity. The same could be possible today using weapons in space. Even before their effects can be seriously analyzed, however, the mood in our country is causing the media to write and speak out against them.

At first glance this attitude seems to be an irrational one, based on the idea, for example, that outer space is more sacred than our Earth. It seems only now, with the advent of space travel, that Galileo's perception of the world has really penetrated the consciousness of man--still internally at a certain distance. However it is more important to ask whether it would be possible to use new technologies to neutralize nuclear missiles. A program of this type has been initiated in the United States. With a research phase expected to last 5 years followed by a development period of 10 years, this mammoth program rivals the project which lead to the development of the atomic bomb during the Second World War.

Of course, there are opinions for and against such a program. One must first ask whether or not such space weapons will help to promote peace, secondly whether they strengthen or perhaps weaken Western security, and thirdly whether they are worth the large sums of money invested in them.

The answers to these questions will be different, depending upon political affiliations, though the least attention shoudl be paid to political argumentation. Of sole importance is the objective consideration of the hopeful and doubtful aspects of such development.

If such weapons are feasible, the Soviets and the Americans will both have them. One side will deploy them sooner, the other later--perhaps both at the same time. If we assume that neutron bombs will be deployed on Earth and these laser weapons in space, then perhaps technology can promote arms control better than was ever possible through negotiations.

Those holding opposing views fear that these new weapons could upset the balance of power. Europe would be decoupled from the United States, and previously deterrence would be reduced to a farce. All of these points must be considered. Perhaps the period of deterrence which brought about many years of peace is nearing an end; it could lose credibility as fewer people believe in it, because deterrence can only be convincing if backed by a determined will.

Laser weapons--if they are introduced--would probably require a completely new system for preventing war. Nuclear weapons would not disappear, but would be largely neutralized by both sides. The first to be rendered ineffective would be long-range weapons. Europeans would then have to play a more significant role in their own defense. Conventional weapons would increase in importance.

With precision weapons, a credible system of deterrence would need to be established in those areas where an insufficient defense currently existed. The structures of the armed forces would have to be modified. The French and British nuclear potential would probably be scaled down.

Regardless of the results of future investigations, it seems prudent not to oppose such developments hastily. Rather, one should consider whether it perhaps is not better to render weapons ineffective through technology. This would remove one of the biggest stumbling blocks in arms control negotiations with the Soviets: onsite verification. A hasty rejection of such developments could undermine the chance in this area for subsequent technological collaboration between the United States and Europe. In addition, an old diplomatic truth states that one should only protest that which one has the power to change. Neither the FRG nor any other European nation has such power.

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## LE PORS ON DEMOCRATIC CENTRALISM, PCF GOVERNMENT ROLE

## Change of View

Paris LE QUOTIDIEN DE PARIS in French 30 Jun, 1 Jul 84 p 9

[Article by Herve Karleskind]

[Text] The minister of Civil Service completely changed his tune from one week to the next. Stating that his party "will not collapse further if it no longer participates in the government" and also, "I hope that the conditions laid down for our participation will be observed." With these statements is he making himself the herald of a departure, or is he setting his own position straight?

Anicet Le Pors was holding his tongue. The secretary of state for Civil Service who, last 20 June, was extolling the merits of Italian-style communism and its "proper insertion into civilian society," today is saying about his own party--in a sentence heavy with innuendos--that the PCF "will not collapse further if it no longer participates in the government." Translation? "The participation of the PCF (in the government) is no longer a major sign of its insertion into the civilian society."

It is one of two things: either the minister is announcing rather clearly that the PCF might leave the government while applying itself to "robbing the event of its excitement"; or else the same minister thought for a moment that the debate in the Central Committee might result in a change of party line.

He might therefore have rushed a little too soon into reformism and at present may be seeking to pay tribute to the supporters of the general secretary, who was liquidated somewhat too hastily.

Finally, the third hypothesis: could the same minister have been given the mission of raising the bidding? By mentioning the possibility of a break, is not the party trying to obtain one or two more ministers--even though it is in a strong position today because of the failure of the president of the Republic's attempt at recentering?

There is just one certainty: Anicet Le Pors has changed his language. And it is on the question of participation that there is the most doubt today: "The reduction in household purchasing power announced by Jacques Delors, and the higher unemployment are concrete realities, incontrovertible realities...regions broken up, industrial sectors threatened; nothing else matters. The party is confronted with considerable strategic choices." In that hypothesis, how do you think you can stay in the government? "I hope with all my heart that the conditions of our participation will be observed." But his reasoning is not all or nothing, for all that. If you listen to him, Anicet Le Pors might in fact be announcing the premises for a break: it is enough, moreover, to read the Popieren report and the reference to the failure of the PS-PCF negotiations in 1977 to bridge the gap. But that is to disregard two facts: 1) the Popieren report has not been put to the vote; and 2) only the Central Committee's resolution providing for broad discussion to be opened, has been adopted unanimously. The evidence is, then, that the party leadership has not quite succeeded in closing the pressure cooker and that, despite his TFI 1 "performance" the day before yesterday, Marchais is really slipping.

#### Electoral Success, Without Participation

There is further evidence that the "debate" is making the party reel to such an extent as to make it lose ground; what is important is to know on which side it is losing it. If we stick to the simple verities, it is amazing that the PCF is still in the government. Its participation (with all the bad faith it has shown in the last 3 years) has brought it nothing--quite the contrary. So the temptation is great (for those who do not want to read into the European election result a sanctioning of the party's bad behavior) to pack up and return to the ghetto. To this observation, the poll analysts will answer that the party's "base" remains largely in favor of participation; nothing is less certain, however, considering the statements in the polls qualifying the communist formula, as in the 17 June vote.

On this track, Anicet Le Pors' statements roll along all alone. Also rolling all alone are the first "heated" reactions of the party on the "Italian model;" observers were misled by the Italian reference. We have wrongly seen, or wished to see, the PCF's desire to recapture the "historic delay" of 1956. However, that was much simpler: what caused the French leadership to stop and think was not the "insertion of the PCI [Italian Communist Party] into the civilian society"; it was simply the fact that, without participating in the Italian government, the PCI got 33 percent of the votes. After chewing on its beret and wringing its handkerchief, the PCF leadership hit its forehead with the flat of its hand, saying, "Dame it! Of course!"

#### To Take the Initiative of Departure

Another dilemma that has apparently been resolved: until the last few weeks, the PCF was hoping to get itself thrown out of the government so that it might better exploit the latter's enslavement "to the interests of big capital." Since 17 June, that is finished; the party leadership seems to have understood that it was better to start out on its own initiative. To play the shot Chirac played in 1976 in order to take political credit for a renouncement built on this evidence: the conditions for our participation, decided on in 1981 on faith in common commitments that were renewed in 1983, are no longer being

observed. What did Anicet Le Pors say yesterday? "I hope that the conditions--I emphasize the word--for our participation will be observed." That can properly be called, in clear language, a genuine way out. More subtly, the secretary of state further said that the participation question is roughly the tree that is hiding the forest and that the question of choosing a line is more important. Not so certain. In the state of decomposition the PCF finds itself in everything leads one to believe that it is participation that influences the line, and not the other way around. Did not the party itself acknowledge, in what is considered to be a "reformist" voice--in this case that of Anicet Le Pors--, that the PCI "took an electoral leap forward without participating in the government"? But the PCF is not preoccupied with elections, authorized voices assert. False. The 17 June disaster would not have provoked such a debate "of uncommon magnitude" (Anicet Le Pors speaking) if the PCF had again crossed the 15-percent line. And the secretary of state for Civil Service would not add, in a superb exercise in dialectic manipulation, that "PCF participation is no longer a major sign of its insertion into civilian society." It is only one step from there to considering that its participation prevents the PCF from "participating fully in the activities of daily life." Anicet Le Pors has almost taken that step. It is spectacular to see to what extent the minister has been able to change his tone in the space of 1 week, even on a subject on which one might think everything has been said, the Soviet Union. Last 20 June Anicet Le Pors said he thought the denunciation of the Soviet model "was an affectation" and that the Soviet Union "could not be an adequate reference." Yesterday, the same minister asserted that he was not going to look for his references in the USSR and that he was not a man of allegiance." But did he not add that astonishing resurrected liturgical phrase about "the big 1917 fracture, without which decolonization could not have been undertaken," praising the determining role played by the "pioneers of socialism" in the 1917 revolution's contribution to democracy? Mechanical engineers have an agreeable formula to describe this attitude: the "limited-slide differential." A very freak on the subject of democratic centralism; like Georges Marchais, Anicet Le Pors is "completely against" abandoning it: "I don't believe in it at all," he used to say very clearly not so long ago. "If you abandon democratic centralism, you leave the way open to groups; there is no third way." No question of making the PCF a copy of the PS. There, too, the leadership constructed a debate that may not even have been open, at least on this essential section of the dogma.

To Jean Le Lagadec, his neighbor at the table, Anicet Le Pors asked this naturally unofficial question: "Didn't I go too far?" May we be permitted to suggest a reply? Not nearly so far as last week, Mr Minister.

#### New Book

Paris LE QUOTIDIEN DE PARIS in French 30 Jun, 1 Jul 84 p 9

[Text] While the PCF wonders about its future, Anicet Le Pors is pleading, in a book, for a strategy aimed at the long term maintenance of participation in the government despite the "contradictions."

And "Contradictions" is the title of the book (Editions Messidor), which was written during June with journalist Jean-Marie Colombani. The analysis takes on a special contour similar to the PCF Central Committee.

Mr Le Pors has never made any secret of his attachment to the communist presence in the government, even though it has contradictions, because "contradiction is what life is all about." In his book, he theorizes about it and says it conforms to Marxist analysis. "We have lost the habit of reasoning in this contradictory, dialectic way," he says.

"Participation in the government is a matter of a fundamental choice...such a long-term step is inevitably subject to the convulsive movements of the economic cycles, to the vicissitudes of political life," he writes. But no one should "underestimate the importance of long-term perspective." Faithful to a habit, Mr Le Pors does not hesitate to distribute some criticism often directed at the PCF: it should not, he says, be reduced to "a succession of tactical movements that, if put together, would appear to be an expression of an unprincipled action."

Of course Mr Le Pors remains absolutely faithful to the broad communist principles, such as the inevitable struggle between the interests of capital and those of men. Consequently, he shows himself to be a warm partisan of a public sector in the driving role, even though that places him in an awkward position with respect to the recent analyses by President Mitterrand on the "mixed society" combining public and private. In his opinion, that notion can only have the primary meaning of a shared-capital business. To extend it to include a social system in which capital would cooperate loyally in the political plan, can only "create confusion."

Finally, the secretary of state for Civil Service is indignant at accusations of "communist infiltration" and he draws up the "balance sheet of the alleged infiltration": 1 prefect out of 190; no ambassador our of 144; 6 administrative managers or comparable positions out of 163; 1 academic president out of 27; 1 PDG [president and general manager] of publicly-owned business our of several hundred, 2 managers of national banks our of several dozen, 2 senior members of the Council of State our of 249, no Revenue Court adviser out of 300, no finance inspector our of 216. "Infiltration, what infiltration?"

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## AVEROF: KARAMANLIS WILL DECIDE ON ELECTIONS

Athens AKROPOLIS in Greek 24 Jun 84 pp 1,16

Text The "New Democracy" is being organized and renewed. It is ready for a final electoral reckoning. But the date of the elections will be decided by Karamanlis. Because the dissolution of Parliament is the prerogative of the Regulator of the Government. These points are being emphasized in his exclusive interview with AKROPOLIS by the Chief of the Honorable Opposition and President of the "New Democracy", Mr E. Averof.

## The Interview

The full text of the important interview of Mr Averof with the AKROPOLIS follows:

AKROPOLIS: Let us begin with a question of a general nature: How do you interpret the results of the elections?

AVEROF: The results of the elections are very satisfactory with one special unpleasant exception. The latter is the disappearance of the parties with a center/left inclination. Some of these parties had placed certain candidates who were useful for the country because of their great abilities and a feeling of responsibility, a feeling that is missing from many others.

As for the rest, for us, for the New Democracy, the results were absolutely satisfactory, even independently of the unfavorable for us conditions under which the Euroelections were conducted.

## The Fall of PASOK

AKROPOLIS: I will return to the last part of your answer in a little while because it is exceptionally interesting. But at this moment I must beg you to explain why you consider the results to be very satisfactory.

AVEROF: For many reasons. First, because in the entire country PASOK lost about 15% of the power it had in 1981. And in 1981 there were no complaints about how the elections were conducted, while now many and various complaints are being heard.

Second, because at that time 12.20 hundreds of units separated us, while now it is 3.47. The first is difficult to overcome. The second is a distance of breath. With a new effort in enlightenment and an electoral campaign that will take place with more guarantees, this distance easily can be overcome.

Third, PASOK lost 3 to 19 hundreds of units in all the nomes except one, Rethymnon, where the New Democracy also gained ground.

Fourth, the unusual large number of voters who kept away from the polls should favor us to the greater degree and PASOK to a lesser degree. Because, just to mention one reason, I will note this: The voters from distant precincts who live in the Attica Plain come to 700,000 voters. Many went to their precincts with their own means of transportation or at their own expense. We, however, did not have money to transport any voters. In addition, many special schedules (by air or bus) for which our followers made reservations at their expense "mysteriously" were cancelled at the last moment. And there was no way to find another means of transportation. But there were other things too, such as the threats or simply the fear of many voters from distant precincts that they may be exposed, kept them away from the polls and generally worked against our interests.

#### Voter Support to PASOK by the KKE

AKROPOLIS: Are you sure there was such voter support?

AVEROV: Yes, I am sure. I am not in a position to estimate the extent of it, but there is no doubt that such voter support was given. The strength of the KKE cannot be limited to the votes it received and it does not appear that any were lost to the KKE Interior. The KKE fell below its usual level in many nomes.

In my electoral area, there is a special small piece of evidence of great importance: In a small village where the KKE had received 28 votes in 1981, it only got two votes this time. For anyone who knows how much the communists are tied to the party and how much they are disciplined, it is evident that it cannot be possible to lose 95% of its power in 32 months! This occurs only in those systems where the results of the general elections can be close to 99%.

Not to mention finally the true vertical drop of PASOK in the large urban centers. The general conclusion can be none other than that PASOK received fewer votes than it appears to have received.

AKROPOLIS: How many hundreds of units do you believe it is further down in reality?

AVEROF: I cannot make such predictions. I can only observe that every hundred of unit means 60,000 votes in round figures and that we had 15,000 electoral precincts. In other words, in an average loss of 4 votes per precinct we would have one hundred unit more or less.

"Seal" of Dishonesty

AKROPOLIS: Why did you not make this accusation publicly? Why did you not make the charges that were rumored the night of the elections that the New Democracy was ahead of PASOK?

AVEROF: I know the rumor. We denied it as soon as we heard about it. It must have been circulated by enthusiastic followers of ours. A serious party with a feeling of responsibility such as ours cannot doubt the results of the elections, unless it has fundamental evidence for such a number of cases that would change the general result. This is not possible, because a detailed investigation of a tremendous extent is necessary throughout the country as well as many kinds of procedures.

We do not play with Democracy. We may talk about applying pressure and about the use of different tricks. For nothing more and especially for specific large numbers of violations. We cannot even talk about the errors of the computers, because we have no indications that such errors were committed. Consequently, the feeling of responsibility that always inspires us compels us to say that we will play the game, accepting the numbers that were announced officially. Unless the investigation we are conducting leads us to different and secure conclusions.

AKROPOLIS: Are you not afraid of the other rumor that circulated, according to which you personally were part of the collusion?

AVEROF: I am not concerned with nonsense. And especially when they carry the seal of dishonesty, even if it is an unpremeditated thoughtless dishonesty. All of us who are in the New Democracy have our history and every Greek knows that it would impossible for us to commit such a dishonest act.

AKROPOLIS: You are right. The rumor is really ridiculous. I would like to ask another question at this point. Or rather to transfer another question that is occupying the attention of public opinion. How much did the "ND" /New Democracy/ spend for leaflets, signs, printed material and generally for all of its preelection campaign? They say that the sum exceeds one billion (they say the same for PASOK). Is it true?

AVEROF: Of course not. For everything, I repeat, for everything we spent less than 200 million drachmae. And with this opportunity, I would like to remind you that the ND asked that this kind of thing be stopped, during the preelection campaign, since it litters Athens and costs so much money. The others substantially defied our proposal.

The Crevices of PASOK

AKROPOLIS: Let us go on to another subject. What political developments do you expect during the immediate future?

AVEROF: I do not think I can make any predictions for spectacular developments. Unless the deeper grievances that are clearly being heard in PASOK split the governing party. After many resignations and expulsions of basic officials, the resignation of a member of the Ministerial Council also occurred these days, that indeed stated a harsh accusation. The competition of groups at the top is not a competition between personalities, but of entirely different ideologies. The dynamic group is the marxist one. Another is the center/left. A third one is the center/left with center tendencies. And their leader, who of course rules the PASOK family has been and tries to be a little of everything. Such a composition, however, causes deep crevices. And while these are becoming more intense because of a very critical economic situation, no one can know how much they will affect the solidity of the shaky structure.

We will continue to exercise the fundamental opposition and will intensify our enlightenment and organizing efforts. We will give special importance to the latter. And I am certain that the government, on the one hand, will continue to rule with the unforgivable partisanship that we are familiar with (and which may indeed be intensified after the scare of 17 Jun) and, on the other hand, to apply its fickle policy that is fated to evolve both from its various dogmas as well as from the more compelling needs of reality. Until the time of the new elections, at which time I believe it is certain that the government will sink.

#### The President will Decide

AKROPOLIS: In other words, do you think we will have elections in Oct 85?

AVEROF: I did not say such a thing. That is what Mr Papandreu says, but I do not think he believes it. First, because the dissolution of Parliament is the prerogative of the Supreme Ruler. No matter what we propose, he is authorized to decide. Only he. Second, because these developments basically depend on how the general situation will evolve. If, for instance, the economic situation that is already very worrisome and very difficult gets any worse, the chances for speeding developments will be greater. That is why there is no room for predicting when the national elections will take place. However, we are already organizing ourselves to be ready to face them at any time.

AKROPOLIS: However, you talked about the splitting grievances in PASOK, while Mr Papandreu claims that these are occurring in the New Democracy.

AVEROF: He claims. Use the right word. There is no possibility of a split in our case. Do not forget the two deputies that returned to us.

#### The Sofoulis Case

AKROPOLIS: Yes, but you also expelled Mr Sofoulis.

AVEROF: Willingly or not, Mr Sofoulis tried to lessen the importance of our victory in the elections of 17 Jun. It was an inexplicable anti-party move.

His expulsion was effected according to the procedures provided for in our constitution. This compared to many resignations and expulsions, frequently without following democratic procedures. Or no expulsions, even where there were unique party criticizing statements, such as those of deputy Papadimitriou and minister Giannopoulos.

No comparison is possible between the two parties from the time, especially recently, these are happening in PASOK and the exemplary ideological unity of the New Democracy as well as the productive cooperation of its members.

#### Rumors of Resignation

AKROPOLIS: Would you care to comment on the rumor that you are thinking of resigning from the leadership of the New Democracy?

AVEROF: You are an exceptional research reporter. I see that you select even the most improbable but also the daring rumors for comment. Such a decision would only benefit PASOK.

Not only am I not thinking of resigning, but I consider it my duty to remain and lead the party to a victory of the general elections. And I say duty, because I believe that our party has many officials who are absolutely capable of becoming leaders. I believe, however, that during some hard years, I gave a new life to our array and I think also that the crushing majority of the base is absolutely satisfied with its present leadership. I consider this even truer after the last preelectoral period. I do not wish to enlarge on this side of the subject, even though I could say much more.

Therefore, I am not thinking of resigning. The only thing that concerns me is for us to continue and intensify the struggle with new impetus and new organizational methods, based on the conclusions that have been made from the elections.

AKROPOLIS: And a question of a much more general nature. Is it possible to predict the developments of the situation? If so, what can you say.

AVEROF: I already gave an answer to this question when I spoke about how the government will rule.

#### The Hot Subjects

AKROPOLIS: Would you want to say something more specific?

AVEROF:

I will gladly tell you a few words, even though we are referring to subjects that require a long analysis to be commented on thoroughly.

Let us begin with hot subjects: The economic situation is very worrisome. The deficits of the Public Sector and the regular budget are more than 600 billion and are continuously increasing. Where will they be covered from? Mr Papandreu used a classified report of mine made in 1981 to say that I was ringing the same alarm at that time. True. But at that time, on the one hand, the entire world was on its knees because of the petroleum crisis and the crisis of high interest and the deficit was estimated to be about 230 billion drachmae. In other words, with a small upturn of the economy, with a little spirit of good housekeeping, with a small increase in the prices of the public utilities, everything could become healthy again.

However, the dogmatic haughtiness of Oct 81 followed. An upturn of the economy occurred for all the other countries. We had a further downturn. Instead of a spirit of good housekeeping, a spirit of waste and fickle decisions became dominant. The prices of public utilities did go up, indeed quite a bit, but could not bring about the desired results.

#### The Taxation

But what happens now? Now with deficits of unique dimensions? Mr Arsenis talks about widening the taxation. But on what tax material? I hope he does not resort to new taxation that will strangle the economy even further.

But what I observed is only one view of the economic problem. In its entirety, the picture is very dark. And I see no possibility of its improvement for two principal reasons: First, because the trust is completely gone and second, because the government does not seem to be able to take the measures that are necessary to begin a true upturn of the economy.

#### The Isolation

AKROPOLIS: Do the other sectors of public life satisfy you? If so, to what degree?

AVEROF: What I would like to observe is that we never had such an involvement in public life. Everywhere green guards and bad administration that has many direct and indirect repercussions in all manifestations of both public life and the productive mechanism.

Another sector that worries me a lot is the one of foreign policy. Our isolation continues. It continues with deeds and statements that no longer leave any doubts.

#### Renewal!

AKROPOLIS: A while ago, you spoke about reorganization and emphasized that you attach special importance to it. How do you cope with this subject?

AVEROF: The reorganization aims toward our adaptation to the new facts that came about from the recent Euro-elections. The results of these elections for us is an indicator toward developing our strategy and tactics and toward defining our organizational methods, having as a target for the next electoral battle a triumphant victory for us and a crushing defeat for our opponents.

Our strategy and tactics will be adapted to the demands of the political battle we will have to give with new ideas in organization and with new personalities in the forefront.

Nothing can curb the torrent of renewal that is necessary to take place, in combination with the utilization of the experienced forces of the party. It is not only a demand of our base. It is the first requirement for our victory in our new electoral match. I am happy that I submitted the subject first. And I am resolved to make renewal a deed. The New Democracy needs it. The country needs it.

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CSO: 3521/286

## GDR SEEN ATTRIBUTING IMPORTANCE TO PAPANDREOU VISIT

Athens I KATHIMERINI in Greek 28 Jun 84 p 4

Article by Rena Angouridou: One and One Half Hour with the Leader of the GDR, Mr Honecker/

Text Last week, in view of the official visit of prime minister, Mr Andreas Papandreu, to the German Democratic Republic from 4 to 6 July for bilateral agreements on subjects of commerce and health, law and civilizing, a five member reporter group visited this country.

Before their departure, the five Greek reporters had a meeting with the GDR ambassador, Mr Hort Bri, who half jokingly advised them to get away from the heavy program that had been prepared for certain for them by his compatriots and mix with the people and talk freely with them.

Mr Bri, however, was talking without taking into consideration what his compatriots are really like, especially their strict devotion to everything previously programmed. Except for an operetta performance (because none of us proved to be a fan for this kind of entertainment) at the Comise Opera, we were not able to get out of anything else. Nothing at all! Everything began and ended exactly at its time, not a minute before or after. With one exception. But what an exception? Our meeting with the chairman of the Council of State, Mr Erich Honecker! Our meeting with the German leader was set for 45 minutes. And this squeezed into his heavy schedule those days, among official talks he had with the leader of Nicaragua, Daniel Ortega, pay attention to this please Mr Papandreu, and briefing the GDR Parliament on the results of his recent visit to Moscow, on the conference of the countries that are members of Comecon. So instead of 45 minutes the meeting lasted for one hour and a half.

The deviation from the previously arranged time limits, I would say, was due mostly to the great, the tremendous importance the GDR gives to the visit of the Greek prime minister. Even to the fact that the questions of the Greek reporters gave Mr Honecker the chance to refer again to a subject that is "hot" for the country: the installation of the American Pershing 2 missiles and the cruise missiles in West Germany. And the necessity to return to the "status quo" previous to December 1983.

Finally, and I am referring to doubling the time, a rare happening that amazed the staff of Mr Honecker, is due to the human factor. To the leisurely, unhurried, "relaxed" air of the German leader, so different from the strict, inflexible and frequently grim appearance of the leaders of the socialist countries. 72 years old today, Mr Honecker, who was born in Saar and joined the communist party at age 17, appears to be much younger. Even though he has been imprisoned for ten years for his resistance activity in Nazi Germany.

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## RECORD OF COALITION EXAMINED ON ITS FIRST ANNIVERSARY

Stockholm DAGENS NYHETER in Swedish 30 Jun 84 p 11

[Commentary by Bjorn Lindahl: "No Champagne in the Glasses, But the 'Brothers' Stick Together"]

[Text] There is no champagne in the glasses as Norway celebrates the first anniversary of its coalition government. Prime Minister Kare Willoch has had his problems, and his relations with the voters have not been the best. But the situation could have been worse. Unemployment, which increased greatly when the Willoch Government came into power, is on the way down again. The national debt will end next year. Opposition to coalition brothers Johan Jakobsen and Magne Bondevik has declined.

"Cooperation in the government has been like carrying a broken load of staurs," said the old Center Party leader Per Borten when his nonsocialist government fell apart.

Staurs are poles which are erected on which to dry hay, and those who have had their arms full of them know that it is an unruly burden.

Prime Minister Kare Willoch has also had his problems, but in any case the outward opposition between the Conservatives, Christian People's Party and Center Party has become less since the two middle parties joined the government.

The conditions were not the best. Based on the Christian People's Party's position on abortion, the motivations to build a coalition government were so paradoxical that the parties became so opposed that they were forced to come together.

The formation of a purely rightwing government which had to negotiate itself to a majority in the Storting from question to question was not expected to survive the entire election period; large groups of Conservatives were very satisfied to sit in all the ministerial posts and bring in the

middle parties later. The Center Party found it especially difficult as a passive supporter who neither could overturn the government nor take the credit for what it accomplished.

#### Exchange

In several ways the development is a strengthening. A number of weak ministers, especially for oil, industry and education, were exchanged for more experienced and stronger persons.

Cooperation within the government also seems to go well. The fall of Per Borten's government depended partly on how Norway should relate to the EC, a question which had still more explosive power than nuclear power in Sweden, but also in personal opposition.

Kare Willoch, who was then minister of trade, was careful about whom he chose to govern with, and above all he saw to it that nobody with diverging views on security policy questions joined the government.

Instead the problems concerned relations with the voters. Alarmingly bad polls rushed the decision by the middle parties to participate in the government. Even though the Conservatives received the greatest number of reverses in the municipal election last fall, the old peaks have periodically been approached again.

On the other hand the middle parties have stood still. They have not been successful in convincing the voters that the difference is so great and the figures are therefore just as miserable. Today the standing is 28 percent for the Conservatives, 8 percent for the Christian People's Party and 6 percent for the Center Party, while the Labor Party has 40 percent.

What can make it possible for the nonsocialist parties to continue to govern after the 1985 election--today it would be a socialist majority, especially since the small Liberal Party has declared that it is going to support the socialist bloc--is if the improvement in international business continues and that depresses Norwegian unemployment.

It increased significantly after the Willoch Government took over control, from 30,000 to 70,000 unemployed. That has been the government's most vulnerable point, but the latest figures show a decline. There are 10,000 fewer without jobs, and unemployment is now 3.5 percent, or 59,000.

#### Enviable

Inflation has been more than halved, and the goal is 6 percent for this year. The national finances are enviable. During the first 3 months of this year foreign trade had a surplus of almost 8 billion kroner. There has only been such a large surplus for an entire year a few times. If the dollar ex-

change continues high and the oil prices remain at the present level the surplus for 1984 will be 30 billion, which is double as much as the government expected, and a noteworthy figure even internationally.

During 1985 the last of the national debt will be paid. It was taken out to finance the economic policies of the 1970's, and the discount and interest has cost 10 billion per year during 1980-83. That money can now be released for other purposes.

As Hermod Skanland, chief economist at Norges Bank points out, Norway is the only industrial country getting a second chance. While the oil price shocks put heavy foreign debts on other countries, Norway is free to choose what economic policies it will follow.

#### Last Budget

The big question of the autumn will be the national budget of 1985, and that is the last that the nonsocialist parties can be sure of implementing. It will therefore be the decisive test of nonsocialist cooperation.

For the Conservatives it is the last chance to show that they were serious when they promised tax reductions. Of the 7 billion which the party obligated itself for, only a couple of million have been apportioned out.

The middle parties on the other hand want to send the money directly to families with children and industries, and to reduce interest. As inflation declines, the cost of borrowed money becomes higher and that hits agriculture especially hard.

It is most unlikely that the nonsocialist government will fall before the election. That would eliminate the possibility of a nonsocialist majority, and have consequences for cooperation for decades to come.

But the nonsocialist parties have still not come forth with any suitable form of how they should establish their respective viewpoints on questions without violating government cooperation.

When it became clear that Erling Norvik was going to be elected as chairman of the Conservatives again, there was a lot of grumbling in the middle parties. He is known for thinking about the Conservatives first and foremost. The reason why Jo Benkow will no longer remain as chairman and leader of the Storting group was that he was too busy to be able to sell the Conservative cause sufficiently.

#### Shouts of Joy

Now Erling Norvik is going to travel around the country and revive the impressive party apparatus that he once built up, while the leaders of the middle parties remain as ministers of education and communications.

Erling Norvik's return is hailed with shouts of joy in the party, but it also shows that it is going badly for the new forces within the Conservative Party, which will be 100 years old next summer. Furthermore when Kare Willoch was sick this spring for 8 weeks it became obvious.

The past 20 years Willoch has done decisive work in most of the party's affairs. One of the Conservatives' own Storting representatives for many years said that when the Conservative Storting Group was governed by other than Willoch the Vagrancy Act was in effect, in comparison with the military control which Willoch exercised.

Last Wednesday Willoch held his first press conference following his illness, and he appeared healthy and alert. But speculation about his future was not reduced when it came out that he had asked the head of Norges Bank to wait before retiring. It is known that Willoch would like to have that post when he leaves politics.

#### Skauge

Instead of Erling Norvik, who worked as a kind of political coordinator in the prime minister's office, Arne Skauge was called in. He was minister of trade in the purely Conservative Government, and has since sat in the Storting.

The problem with Skauge is that he is more popular with Willoch than with the rest of the party, and he still is not considered mature enough to take over.

In two important areas the spring Storting session was concluded in appeasement between the government and the opposition. Those areas were how great the state oil company Statoil will be permitted to be, and the security policy. How long unity will continue in the latter case remains to be seen, but it shows that the abyss between the blocs is not as great in Norway as in Sweden.

The attempt to give Norway a more fair election system is, however, blocked for the fourth time since 1972 by the Labor Party. Today 42-43 percent of the voters can give an absolute majority in the Storting because there is no equalizing mandate.

In order to be able better to utilize 'superfluous' votes, the nonsocialists together with the small parties in the Storting have proposed that an old system be reinstated, in which votes from a party's election list can be transferred to another. Nobody is especially happy with that, but such a measure does not require a change in the constitution.

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## PAPER EXAMINES REASON FOR PALME'S CONTINUED POPULARITY

Stockholm SVENSKA DAGBLADET in Swedish 25 Jun 84 p 2

[Editorial: "Confidence in Palme"]

[Text] A supplementary investigation to last Sunday's party approval measurement, which was published in DAGENS NYHETER, shows according to the Institute for Market Investigations (IMU), that confidence in the Palme government is growing again.

Any other result would have been remarkable, something of a sensation. It compares corresponding measurements during the past 6 months, or just after the Rainer and Ferme incidents, for example.

It is also pertinent that international business during 1984 was favorable for the economic policies of the Swedish Government. The external circumstances have also been very favorable.

It can also be confirmed that confidence in the Palme Government does not exactly reach the same level as one year ago. Distrust, just under 40 percent of those asked, was just as great as it was a year ago.

The most surprising thing is actually that confidence in the government is not greater, after all the positive reports on the economic successes which the head of the government and the Finance Ministry have announced during the spring.

It can be compared with the development of opinion in other countries--and with other circumstances--in which it can be confirmed that except for during elections, when other circumstances are considered, good economic conditions generally result in high confidence figures for the sitting government

It can also be expressed by saying that in a choice between good and bad times, most people prefer good times.

What IMU has done is they have statistically proved by its measurements that this continues to be so.

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CSO: 3650/236

## POLLING ORGANIZATIONS DIFFER WIDELY IN LATEST RESULTS

## IMU Poll: Left Has Majority

Stockholm DAGENS NYHETER in Swedish 17 Jun 84 p 8

[Article by Sven Svensson]

[Text] The Center Party has suffered a setback of three whole percentage points down to 12 in DN/IMU's voter barometer for June. At the same time, the Social Democrats have gone forward from 42 to 44.5 percent, and the Liberal Party from 5.5 to 7.5 percent. The changes reach the limit of being statistically certain.

According to the poll, the socialist bloc has taken a clear lead in voter opinion with 48 percent against 44.5 percent ahead of the three nonsocialist parties together. This is the first time in a year that the socialist parties could mobilize more voters than the nonsocialist parties in the IMU barometer.

## Falldin

The greatest surprise was in the Center Party with its reduction since the last poll by three percentage points to 12 percent after having earlier remained stable just over or just under 14 percent for a year and a half. The change can be simply a measurement error that can be corrected in the coming polls.

If the tendency should remain, the explanation may be that the Center Party has landed in this poor showing because of Center's leader, Thorbjorn Falldin, who has been absent from politics for eight weeks because of ulcers. Today, Sunday, Falldin will give an important speech in Umea before the national committee of the Center Party.

## Petering Out

Center's decline in the June poll may even reflect an uncertainty among the middle party's sympathizers. In the last poll, the Liberal Party declined from 8.0 to 5.5 percent, now has gone up by two percentage points to 7.5 percent. This recovery may have taken place at the cost of the Center Party.

Because of this rise, the Liberal Party lies well over the election result of 5.9 percent, but well under the top figure of 10 percent in connection with the shift in party leadership in October of last year. Even if the long range tendency is rising, it seems that the effects of the change in party leadership continues to peter out.

#### Pointing Upward

The Moderate Coalition Party has long moved between 25 and 27 percent in IMU polls. In February a decline was noted from 27.5 to 25.5 percent. An increase to 25 percent took place in May, and now a decline of one point to 25 percent has been noted. This means that the Moderates' rise has been broken for the first time in many years, but the poll figures clearly still lie well over the election result of 23.6 percent.

The tendency of the Social Democrats was clearly a decline through 1982, and the decline was accentuated during the first half of 1983 with a bottom of 42 percent. During 1984, the decline has stopped, and the curve is now pointing upward for the third poll in a row. The June figure was 44.5 percent against 42.0 in May. In the election, the Social Democrats received 45.6 percent of the voices.

#### Small Parties

The Social Democrats probably got part of their increase from the Communist Left Party, which, after having been stable for the whole post-election period around five percent, has suddenly sunk to 3.5 percent. VPK's decline during the time the Riksdag was closed of four percent can probably be regarded as an accidental occurrence. A loss of four percent would put it into a critical situation.

The small parties outside the Riksdag received a total of 7.5 percent of voter sympathy against 7.0 percent in the previous poll. KDS received 2.5 (+0.5), the Environmental Party 3.0 (-0.5), and the other parties two percent (+0.5). These figures are an answer on which party the voters regard as best. In an election, the small parties would receive lower figures.

#### Long Range Trend

IMU also notes long-range tendencies for Riksdag parties based on a sliding average for the past seven polls. These long-range tendencies show changes that reduce the effect of random rises and falls for the parties.

The long-range trend for the past seven polls from June 1983 on looks like this:

	M	FP	CP	SAP	VPK
Jun-83	25.1	4.9	13.4	44.9	4.3
Oct-83	25.6	5.0	13.6	44.1	4.6
Nov-83	26.0	5.4	13.8	43.2	4.8
Dec-83	26.4	6.1	13.7	42.1	4.9

Feb-84	26.5	6.6	13.6	41.8	4.9
Apr-84	26.2	6.8	14.0	41.4	4.9
May-84	26.1	7.3	13.6	41.4	4.6

The long-range tendency indicates that the increase for the Moderates is stopping, while the Liberal Party is registering a careful rise. The position of the Center is uncertain after today's decline. The Social Democrat's trend figure will increase over 42 percent if today's figure holds in the coming polls.

#### Voters' Opinions

	Polling Period	28	29	30
	30/1-	19/3-	30/4-	
	29/2	18/4	31/5	
	1984	1984	1984	
Number of Eligible Voters with Party Preference (= Basis for Percentage)		892	862	906
Percentage Reporting as "Best Party"				
Moderate Coalition Party		25.5	26.0	25.0
Liberal Party		8.0	5.5	7.5
Center Party		14.0	15.0	12.0
Christian Democratic Party		2.0	2.0	2.5
Social Democratic Labor Party		41.5	42.0	44.5
Communist Left Party		4.5	4.5	3.5
Environment Party		3.0	3.5	3.0
Other Parties		1.5	1.5	2.0
	100.0	100.0	100.0	
Percentage of Eligible Voters who cannot or will not name the "Best Party"		3.5	3.5	3.0

Since 1979 IMU has carried out 30 party preference polls. The results show relatively large differences between this poll and the preceding one for several parties. However, all of these differences lie within the margin of error. For the Liberal Party, the long-range trend is still rising, but the decline in the two most recent polls compared with the high value of the fall shows that the effects of the shift in party leadership continue to peter out.

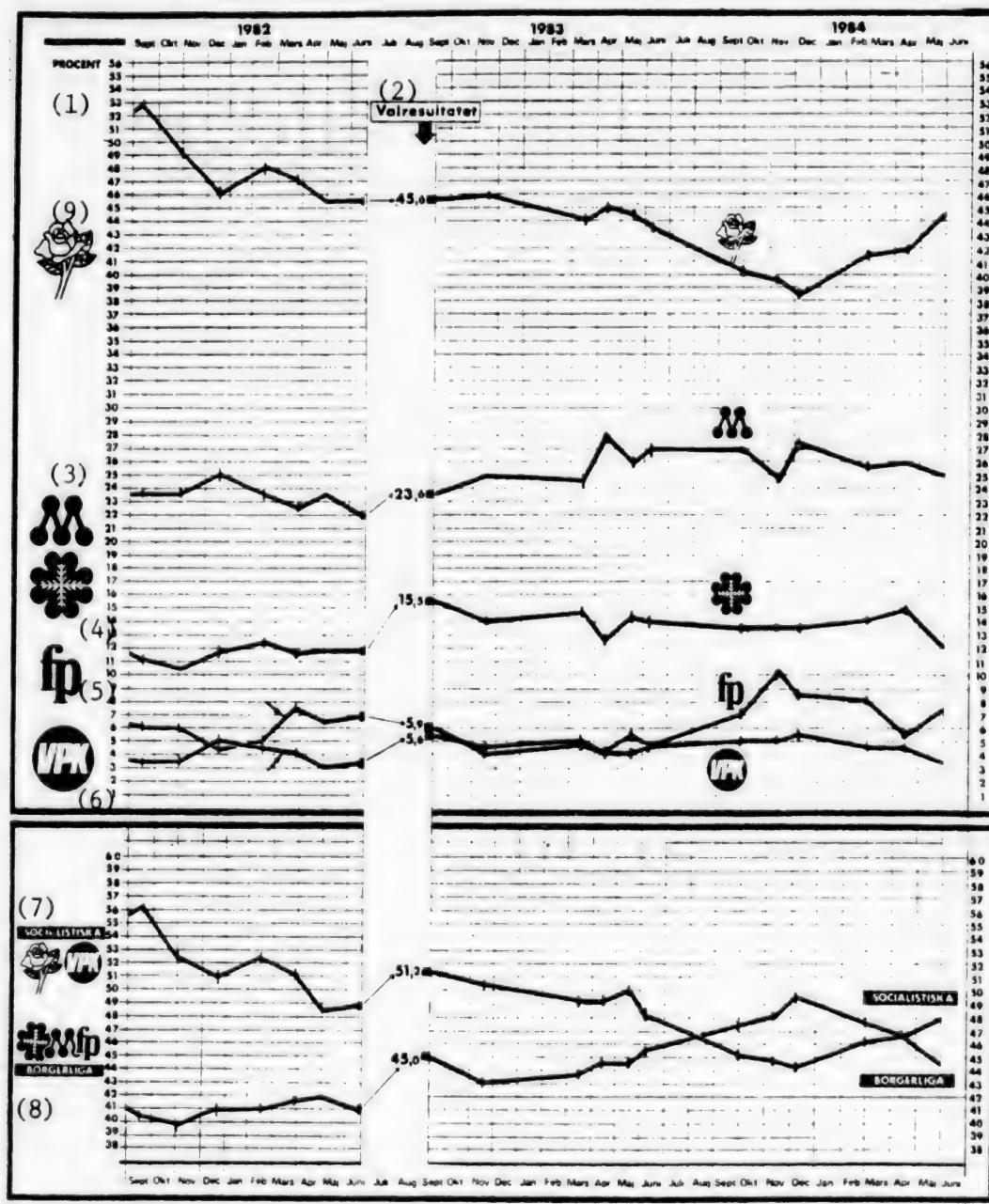
For the Social Democrats, the most recent poll shows that the party is well on the way to recover from the weakness in public opinion experienced last fall.

For the Moderates, it seems that the increasing trend of several years has stopped.

The polls were done on a nationally representative probability selection of Swedish citizens in the ages of 18-74. The interviews were accomplished by

visits to the home. The following question was asked: "Which party do you think is the best?" An election situation was imitated: party preference was expressed with the help of election "ballots" and "envelopes."

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4. Center Party
5. Liberal Party
6. Communist Left Party
7. Socialists
8. Nonsocialists
9. Social Democratic Labor Party

Paper Comments on IMU Poll

Stockholm DAGENS NYHETER in Swedish 17 Jun 84 p 2

[Editorial: "Nonsocialist Hibernation"]

[Text] A nonsocialist plus of 4.5 percent in December of last year has been changed by May to a minus of 3.5 percent. Thus one can summarize the most recent most recent half year of IMU polls for DN. The number of Social Democrats and Communists has increased from 44 to 48 percent, and the number of nonsocialists has decreased from 49.5 to 44.5 percent. With each poll, the change has gone the same way.

The trend has its natural explanation in increasing employment and incomes. The government's greatest worry -- that the wages will rise too fast -- is in the short run increasing its popularity among the voters. In each one of the nonsocialist parties the figures have gone a little up and down. Since December they have all lost sympathizers -- the Moderates most of all. The Liberal Party's 7.5 percent lies at the average of what the party had after the election of Bengt Westerberg as party leader. The extreme values of ten percent in October-November and 5.5 percent in March-April are probably best explained as errors.

Sweden has seldom had such an unenterprising opposition as in the past half year. It has not succeeded in doing anything constructive with the nonsocialist revival that went through the country during the conflict on funds. Today instead it is Kjell-Olof Feldt who is capturing public opinion.

The nonsocialists were wrong when they did not suggest a plebiscite on the funds with the hope that the question would give them an election victory in 1985. With this, the leadership in antifund opinion went over to nonparliamentary groups. A plebiscite would have raised the dignity of the question, whether the governing party was approved or not. The funds should long have been a live issue; they would have made it easier to awaken interest for 1985.

Everything the parties hit upon during the election year itself is automatically considered to be an election tactic. If the opposition is to have a chance, it must soon wake up out of its apathy.

## Sifo Poll: Nonsocialists Ahead

Stockholm DAGENS NYHETER in Swedish 18 Jun 84 p 8

[Article by Magdalena Ribbing]

[Text] Sunday's two large polls of voters' political sympathies show completely different results. In SVENSKA DAGBLADET Sifo gave the nonsocialist bloc the majority with 49 percent, while DAGENS NYHETER's IMU poll showed a socialist majority of 48 percent against the nonsocialist bloc's 44.5 percent.

There were great differences among the five Riksdag parties in the Sifo and IMU polls. The Social Democrats got 44.5 percent in IMU, an increase from the previous IMU poll's 42 percent. In the Sifo poll the Social Democrats declined from 43.5 percent in the previous poll to 43 percent in June.

The Center Party declined in the IMU poll by three percentage points to 12 percent in June. Sifo shows the Center Party having 13 percent both in the previous poll and in June. The IMU poll showed the Moderates declining by one percentage point to 25 percent in June, but in the Sifo poll, they kept their figure from the previous poll, 26.5 percent.

### The Liberal Party Increased

The Communist Left Party lost in both polls. Sifo gave VPK five percent, a half percentage point decline, and IMU showed that VPK declined a whole percentage point to 3.5 percent in June. The Liberal Party increased both in Sifo and IMU. In the Sifo poll the FP got 9.5 percent in contrast to the previous poll's 8 percent. IMU showed a two percentage point increase for FP, up to 7.5 percent in June.

The polls were taken at somewhat different times. Sifo questioned 986 statistically selected citizens from 18-74 years of age on which party they thought was best today during the time period of 23 May to 8 June. IMU asked 906 eligible voters and statistically selected citizens during the period of 30 April to 31 May, and tried to imitate an election situation with election ballots and envelopes.

But there are more reasons for the differences. IMU also presented election ballots for the so-called small parties, the Christian Democratic Party, the Environment Party, and others, and got a total figure of 7.5 percent for these parties. If there really had been an election, these voters would most probably have divided their votes to a great extent among the Riksdag parties instead of among the uncertain small parties. On the other hand, Sifo did not include the small parties in the same way that IMU did. Nor did Sifo use election ballots.

## Right Behind

The Sifo poll came right behind the IMU poll. The former was published in May, while IMU's poll was published somewhat earlier.

All changes in the figures lie within the so-called margin of error and are therefore not statistically certain. But they show a trend if they are compared with the figures of the previous poll -- in the respective opinion polling institute. IMU's figures, which show greater differences compared to previous polls, are at the limit of being statistically reliable.

In the most recent election, September 1982, the Social Democrats got 45.6 percent of the votes, the Moderates 23.6, the Center Party 15.5 percent, the Liberal Party 5.9 percent, and the VPK 5.6 percent.

## Poll Shows Palme Winning Support

Stockholm DAGENS NYHETER in Swedish 24 Jun 84 p 8

[Article by Sven Svensson]

[Text] Voter support for the Social Democratic government is growing for the third time in a row. Of the voters, 58.4 percent express confidence in Palme's government against 51.8 percent in the poll in February. The greatest increase in confidence has been among the voters with nonsocialist sympathies.

This is the sixth confidence poll DN/IMU has done. It includes 906 interviews in the poll that was concluded 31 May. They are the same people who took part in the voter barometer that was presented last Sunday.

Today 58.4 percent have confidence in the policy of Palme's government against 51.8 percent and 47.4 percent at the lowest point in December 1983 after extensive debates on treachery and a series of political "affairs." The poll results indicate that the Social Democrats are almost back to their top score of 59.0 percent in June 1983.

In May 39.7 percent were not confident in Palme's government, compared with 44.2 percent in February and the top record of 47.5 percent.

A year ago in June 1983 there were 39.5 percent who were not mistrustful of the government. Today's result signifies a return to the situation of a year ago.

In the voter barometer for May the Social Democrats got 44.5 percent of the party sympathizers, while 58.4 percent showed distrust of the government's policy. The result of the confidence poll shows that a large group of non-socialist voters have confidence in Palme's government.

Signs of an economic upswing are the most obvious explanation of the growing confidence in the government among the voters. The debate on Swedish security policy has hardly hurt the confidence in the government of the voters.

The voters answered the following question: "Do you have much or little confidence in the government we now have?"

Then the voters answer by giving a number from minus three to plus three, depending upon the degree of distrust or trust.

The result of the May poll in percent is:

Plus 3:	15.5
Plus 2:	19.5
Plus 1:	23.4
Total:	58.4
Minus 1:	14.2
Minus 2:	13.4
Minus 3:	12.1
Total:	39.7

#### Highest Figure

Since February, the group with the greatest confidence in the government has increased the most, from 9.3 to 15.5 percent.

The group with the middle distrust of the government has declined the most, from 16.6 to 13.4 percent.

In answer to the question on whether they have confidence in the government or not, 1.9 percent answer "Don't know," compared with four percent last time.

Today 28 percent of the voters who list the nonsocialist parties as best have confidence in Palme's government. This is an increase of eight percentage points since the poll in February, and the highest figure ever recorded. The previous high was 26 percent in June 1983. The lowest was 17 percent in December 1983.

The increase in confidence is significantly lower within the socialist bloc. There 88 percent of the voters think the government is doing well as opposed to 85 percent in February. The high of 91 percent was reached in June 1983.

#### The Liberal Party Has the Most Confidence

Among the exclusively Social Democratic voters, 90 percent are satisfied with the government, compared with 86 percent in February. Here, too, therefore, the increase in confidence is less than on the nonsocialist side.

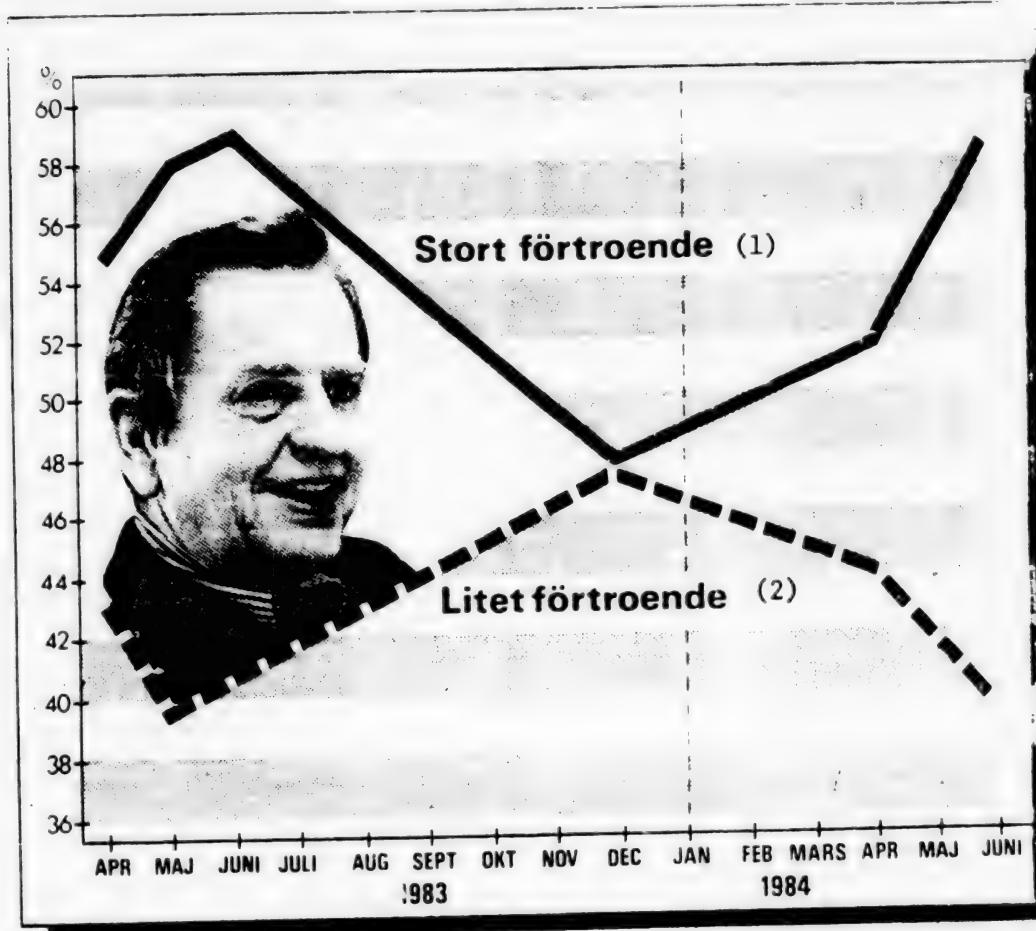
Individual figures show that it is above all the Liberals among the nonsocialist voters who show confidence in Palme's government. About every other Liberal

Party voter, 51.7 percent, approve the government's policy, against 32.5 percent in the previous poll. Of the Center Party voters, 26.1 percent approve of the government's policy, compared with 21.1 percent the last time, and among the Moderate voters, 21 percent compared with 15.6 last time.

Among the Social Democrats there are nine percent who express dissatisfaction with the government, compared with 11.2 last time and among the VPK voters there has been practically no change, with 21.5 percent expressing discontent with Palme's government.

Of the nonsocialist voters, there is only a small group, of 1.5 percent Moderates and Center Party members, who give the government the highest grade, plus three.

Of the Social Democrats, 34.2 percent give the government the highest grade, compared with 21.5 percent in the last poll, while there is no record for the VPK.



Key:

1. Great Confidence
2. Little Confidence

Voter confidence in Palme's government has increased after the treachery debates and the "affairs" toward the end of last year. Those who think Palme is doing all right number 58.4 percent, while 39.7 percent do not approve. The Social Democrats are almost back at their highest point of 59 percent in June of last year.

#### Palme's Voter-Confidence Examined

Stockholm DAGENS NYHETER in Swedish 24 Jun 84 p 2

[Editorial: "Perfidious Confidence"]

[Text] According to the IMU poll published by DN today, Palme's government has risen from last fall's confidence low and is back on the same level as a year ago. It is easy to point toward probable explanations, above all the economic ones. Most of the indices are up just now, and certainly some of these probably have declines waiting for them just around the corner. And when this comes, the confidence curve will sink again. The predictions and memories of the voters is in general not more stable than this.

It is naturally above all among the nonsocialist voters that confidence has increased in the Palme government's handling of the country's affairs -- whereby the so-called political affairs that got so much media attention do not have a bearing. Among its own people, of course, the Social Democratic government has, just as the three nonsocialist ones had in the 1970's, still a confidence capital that always is high and will stand many blows and disappointments. Confidence among "the others" on either side of the nonsocialist-socialist chalkline is, on the other hand, here today and gone tomorrow.

The fact that just now the Social Democrats have about 45 percent of the party sympathizers but the Social Democratic government has the confidence of almost 59 percent of the voters is not as artificial as it looks at first. It is the difference between respecting the seemingly good management of a person of a different persuasion and sympathizing with his aims and methods. Even if confidence polls clearly give every government both praise and blame for much that the parties concerned have neither earned nor can help, then it is a sign of health and a sign of political maturity that most of them can distinguish between sympathy and respect -- confidence right over the emotional barriers of blocs.

9124  
CSO: 3650/232

## RENAULT'S ARMORED VEHICLE MARKET

Paris LES ECHOS in French 7 Jun 84 p 3

[Text] Creusot-Loire is floundering while Renault Vehicules Industriels [Renault Industrial Vehicles] has seen mounting losses (2.2 billion francs for 1983). There is no connection between the two situations. And yet,

✓ both enterprises are in the same military equipment sector. Even more, both groups are cooperating in the production of the VAB [armored attack vehicle] for which Creusot-Loire is building the armor in its Saint Chamond facility while the power plant system is the responsibility of Renault Vehicules Industriels (the engines are produced especially in Limoges).

Military orders always yield good profits. To date, some 2,100 VABs have been delivered to the French Army and 900 of them have been exported. The VAB program continues. Thus, for the French Army it is only half complete.

But the Army orders have been dropping in Limoges. For this plant half of whose activity is for the military sector, the drop in orders for tank engines (the next generation of which may be equipped with high-pressure motors) involves reduced production reflected by a slide of 25 percent in the plant's total operations.

This is a tough turn for Renault Vehicules Industriels which has seen its profits drop in a sector that continues to be one of the few which are still profitable for it at the moment. Renault could use a broader market.

Accordingly, why not consolidate the specialized mechanical division of Creusot-Loire and the military equipment division of Renault Vehicules Industriels into a structure that would specialize in wheeled armored vehicles (while the tractor-treaded vehicles would continue to remain under the jurisdiction of the armed forces workshop). This consolidation would be all the more attractive as the wheeled armored vehicles are slated for future developments considering more positive demand abroad for such equipment (which is notably more mobile and more autonomous than tractor-treaded vehicles).

But any two-sided deal would only be part of the story. For there is also Panhard, another major producer of ground forces equipment in France and specialized, too, in wheeled armored vehicles.

This would be a highly attractive arrangement about which much has been said but which no one confirms for the time being. Creusot-Loire has naturally no incentive to follow this line of action in the immediate future. Renault Vehicules Industriels admits having many reasons for entertaining contacts with the group in trouble but notes that presently no negotiation in view of a possible restructuring is under way. But one can imagine that it would not be reluctant in this case to assume its leadership. At Panhard there is the most complete silence on the matter.

But it seems to be a fact already that if Creusot-Loire were to be broken up, its specialized mechanical division would not remain without a buyer in a structure still to be defined. This division has too much experience in a sector that all governments cultivate, and military equipment generates too much profit to be relinquished.

2662  
CSO:3519/386

MILITARY

FRANCE

BRIEFS

ARMS COOPERATION WITH NETHERLANDS--The purpose of the agreement signed on Tuesday evening by Charles Hernu, French minister of defense, and Jacob de Ruiter, his Dutch counterpart (see yesterday's LES ECHOS) is "to step up cooperation in the field of defense materiel as regards its production, acquisition, and equipment maintenance." A "joint committee" is anticipated by the agreement to study the possible cooperation projects. The "potential projects anticipated in the context of this agreement could be the following: Helicopters, close defense system, vehicles ranging from 1 to 4 tons, mines and minelayers, radar for artillery, light radar systems for anti-air defense, intermediate-caliber naval ordnance, night vision system, and antinaval mine combat system." The stimulus given to the major arms programs among European countries--French-German combat helicopter, future tripartite antitank missile, European combat aircraft, multiple rocket-launcher system--should enable the European states to conserve their technological and industrial potential vis-a-vis the United States, it is noted at the ministry. This agreement is the seventh which France has signed with European countries (following those with the Federal Republic of Germany, Britain, Italy, Greece, Spain, and Denmark). Additionally, France, the Netherlands, and Belgium are already cooperating in the production of a minesweeper. [Text] [Paris LES ECHOS in French 7 Jun 84 p 18] 2662

CSO: 3519/386

## EC REPORT: DENMARK TO HAVE STRONGEST GROWTH IN COMMUNITY

Copenhagen BERLINGSKE TIDENDE in Danish 26 Jun 84 p 1

[Article by Kermit Nørlund]

[Text] New EC report gives Denmark even better marks than OECD economists

Denmark will be one of the EC countries which will be coping best during the next 2 years. This appears from an economic report of the EC Commission, published on the first day of the EC summit meeting held at Fontainebleau south of Paris. The report gives Denmark even better marks than the positive OECD report which was published last week.

This year, Denmark's economic growth rate is expected to reach 2.7 percent-- far higher than the EC average of 2.2 percent, and only exceeded by West Germany's 3.0 percent. Next year, it will be even better. Denmark will then have the highest growth rate in the community, viz. 3.0 percent compared with an average of 2.1 percent. In 1985, the Danish growth rate will exceed that of the United States, which, according to the report, will drop to 2.6 percent.

Also as far as its rate of unemployment is concerned, Denmark has reason for gratification. While the rate of unemployment within the EC community amounts to 11.1 percent this year and will increase to 11.4 percent next year, Denmark may expect a declining unemployment rate: 10.3 percent this year and only 10.0 percent in 1985. Denmark's inflation is this year expected to drop to 5.3 percent, which is among the five lowest rates in the community. In 1985, the increase in inflation in Denmark will stop abruptly and is expected to amount to 3.8 percent. Lower inflation rates will only be found in West Germany and the Netherlands.

According to the EC report, there will be a slight increase this year in the Danish balance of payments deficit to 2.2 percent of the gross national product, but the balance of payments deficit will drop anew in 1985 to 1.7 percent.

The EC Commission points out that the economic upswing is slightly bigger than predicted at the end of 1983, though far from sufficient to improve the employment situation in the 10 member countries.

## OECD GIVES ECONOMY FAVORABLE MARKS AFTER UNDERESTIMATING GROWTH

Copenhagen BERLINGSKE TIDENDE in Danish 21 Jun 84 p 7

[Commentary by Frank Dahlgard]

[Text] The OECD economists in Paris made a big blunder when only 6 months ago they predicted a sharply increasing unemployment rate in Denmark with stagnant investments and production. The most recent OECD report gives a completely revised and positive picture of the Danish economy.

The new semi-annual report from the Organization for Economic Cooperation and Development of the West, the OECD, gives an evaluation of the economic development in Denmark which is in sharp contrast to the evaluation presented by the OECD in its Christmas report only 6 months ago.

At the time, the OECD economists predicted a sharply increasing unemployment rate in Denmark, a declining employment rate, and a stagnant and depressed Danish economy throughout 1984.

The prognosis now coming from the OECD, however, is entirely different and positive: The unemployment rate in Denmark will drop, the employment rate will increase, and consumption, investments, production and exports will increase several times more than predicted in December of 1983.

Hardly ever before have economists made such a wrong prognosis as the one presented by the economists of the OECD prior to Christmas of last year.

The fatal and misleading OECD prognosis last December appeared in the middle of the Danish election campaign and, naturally, was used diligently by Social Democrats and people in the left wing to show that all the talk about an economic upswing in this country was nonsense.

It was not, however.

#### OECD Figures

The economists of the OECD would have been in a position to predict the sharp upswing in the Danish economy very precisely if only they had studied their

own business forecast statistics.

The monthly OECD publication MAIN ECONOMIC INDICATORS, throughout the summer and fall of 1983, thus showed current figures and graphs pointing unequivocally to a marked economic upswing in Denmark in 1984;

The so-called main indicator index, which the OECD itself calculates for all of its member countries and which predicts, with great precision, industrial production trends, already in the spring of 1983 showed a marked upward trend.

The same thing applied to the figures of the OECD statistics for order books and order intake.

The OECD simply made a blunder when, only 6 months ago, it predicted a continued depression and an increasing unemployment rate in Denmark throughout 1984.

#### Unemployment Rate Declining

In the following graph, BERLINGSKE TIDENDE shows the key figures of the OECD economists for developments in the Danish economy according to the prognosis of December of 1983 and according to the new, recently published prognosis:

The OECD today estimates the average unemployment rate in 1984 at 10.5 percent of the labor force, corresponding to 285,000 unemployed. Last December the OECD economists estimated the average unemployment rate at 11.25 percent, corresponding to an average of 305,000 unemployed.

After 6 months the OECD thus adjusted the Danish unemployment figures for 1984 downward by 20,000 persons--or by 7 percent.

That does not sound like very much on the face of it, but it, nevertheless, is quite a lot.

When prior to Christmas the OECD predicted an average unemployment rate in Denmark during 1984 of 305,000, the actual unemployment rate (seasonally adjusted) amounted to approximately 280,000-285,000 persons. In order for the 1984 unemployment rate to reach the OECD average of 305,000, the unemployment rate in Denmark would have to increase sharply throughout 1984--and by the end of the year amount to approximately 325,000 unemployed.

Such an increase in the unemployment rate throughout 1984 from 285,000 to 325,000 is no trifle.

The new OECD prognosis recently published projects an unemployment rate in 1984 of 285,000, declining to an average of 270,000 for 1985.

#### Balance of Payments

The major miscalculation on the part of the OECD, however, concerns the Danish balance of payments.

Six months ago the OECD thus predicted a Danish foreign exchange deficit this year of only 4.5 billion kroner. (Even the unrealistic prognoses last year of the Danish four-leaf-clover government did not go below a deficit in 1984 of 8 billion kroner.)

The OECD now expects the balance of payments deficit to become three times as large: 13.5 billion kroner, and even that figure may very well turn out to be too low in view of the fact that the deficit during the first quarter of 1984 alone amounted to nearly 6 billion kroner.

One of the reasons for the miscalculation on the part of the OECD is that the OECD last December forecast an unchanged import rate to Denmark from 1983 to 1984, whereas the OECD now projects a real growth of 3 percent as a result of the up-swing in consumption, investments and production.

#### Investment Boom

As will, furthermore, appear from the enclosed graph, the OECD now expects a Danish economic growth rate (growth in national product) from 1983 to 1984 that is 3 to 4 times larger than expected last December--and a growth in industrial production which is 2-3 times larger.

Private consumption will increase 3 times more than assumed last December--viz. by 1.5 percent instead of by only 0.5--and the consumption of the public sector, on the other hand, is expected to decline less than previously assumed.

The OECD economists in Paris have had to undertake a major revision in connection with their evaluation of Danish investment trends. The rate of increase in Danish investments will simply be 12 times higher than assumed merely 6 months ago--viz. 6 percent instead of only 0.5 percent.

This will take place despite the decline in investments in the North Sea.

The semi-annual report of the OECD on developments in all of the industrialized countries of the West which is now available, will in a few weeks be followed by a special and profound report on the Danish economy.

The figures appearing in the upcoming report on Denmark will, of course, be the same as the figures indicated in this article.

It will, however, be interesting to see the explanations which the OECD economists will have to produce in connection with their disastrous prognosis blunder of last December.

PROGNOSSES OF THE OECD ON DANISH ECONOMY IN 1984

KEY FIGURES FOR DANISH ECONOMY 1984	OECD PROGNOSIS December 1983	OECD PROGNOSIS June 1984
<b>UNEMPLOYMENT</b>		
Number of persons .....	305,000	285,000
BALANCE OF PAYMENTS .....	4.5 billion	13.5 billion
WAGE INCREASES .....	5.5 percent	5.0 percent
PRICE INCREASES .....	5.75 percent	5.5 percent
<b>GROWTH 1983-84 IN:</b>		
National product .....	0.75 percent	2.75 percent
Industrial production .....	2.5 percent	5.75 percent
Private consumption .....	0.5 percent	1.5 percent
Public consumption .....	-1.25 percent	-0.5 percent
Investments .....	0.5 percent	6.0 percent
Exports .....	1.75 percent	4.0 percent

Sources: OECD ECONOMIC OUTLOOK December 1983 and June 1984.

7262  
CSO: 3613/185

## INDUSTRY COUNCIL: INVESTMENT BOOM CREATING MORE JOBS

Copenhagen BERLINGSKE TIDENDE in Danish 14 Jun 84 p 1, Sect III p 12

[Article by Frank Dahlgaard]

[Text] In a new business forecast, economists of the Federation of Danish Industries expect a continuation of the very steep investment boom until the end of 1985 and predict a slight decline in the unemployment rate during the next 12 to 24 months.

Approximately 50,000 more people will become employed within the private sector in 1984 and 1985.

This will take place largely as a result of the sharp increase in fixed investments in the private sector. Not only the entire influx of labor will be absorbed, but the unemployment rate will also be reduced.

These predictions were made by economists of the Federation of Danish Industries in a new business forecast, covering trends till the end of 1985.

The industrial prognosis is of special interest because 12 months ago, the economists of the Federation of Danish Industries were the only ones to predict the present sharp economic boom.

The Independent Economic Advisory Council as well as the economists of the Danish government and the OECD were entirely wrong when, last summer, they predicted a continued sharp increase in the unemployment rate.

The economists of the Federation of Danish Industries predict a slightly declining unemployment rate until the end of 1985.

This year, the average number of unemployed is expected to amount to 280,000 (as against 283,000 last year), and, in 1985, the average number of unemployed is expected to amount to 270,000.

These figures agree nicely with the most recent estimate of the Budget Department but are in conflict with the figures of the report of the Independent Economic Advisory Council, which projects an increase in the unemployment rate, which, next year, is projected to reach an average of 294,000.

The Federation of Danish Industries expects a balance of payments deficit this year of 13 billion kroner (as against 11 billion kroner last year).

In 1985, the deficit is expected to drop to 9-10 billion kroner. Also here, the figures are close to the figures of the most recent estimate of the Budget Department, whereas the Independent Economic Advisory Council takes a more pessimistic view of the foreign exchange deficit.

The Federation of Danish Industries expects the growth rate of the entire Danish economy to amount to 3.5 percent this year. That will be the sharpest growth rate within the EC area.

The investment boom in Danish industry is expected to continue next year.

From 1983 to 1984, the volume of investments in industry will increase by 30-35 percent, and, from 1984 to 1985, these investments will increase by another 25 percent.

These predictions were made in the most recent semi-annual business forecast of the Federation of Danish Industries, which predicts a continued increase in the employment rate within the trades and industries. The dynamo within the Danish economy during the next 12-24 months will, according to the prognosis, be the investments in the trades and industries and industrial exports.

On the other hand, the economists of the Federation of Danish Industries predict a slackening of the growth rate in private consumption: 2 percent from 1983 to 1984 but only 1 percent from 1984 to 1985.

On this point, the economists of the Federation of Danish Industries disagree with both the Independent Economic Advisory Council and the economists of the Danish government, who predict a larger increase in private consumption in 1985. The explanation is the expectation on the part of the economists of the Federation of Danish Industries of an increase in the savings quota of families following the decline which occurred in 1983.

The consumption expenditure of the public sector is expected to stagnate both this year and next year--i.e., there will be a zero growth rate in the public consumption expenditure--and the growth rate in housing construction will in 1985 become more restrained (5 percent) than this year (20 percent).

The volume of industrial exports is expected to increase by as much as 8 percent this year and by another 7 percent next year.

Industrial production will increase by 6 percent both this year and next year, and Denmark's total gross national product is expected to increase by 3.5 percent this year and by another 3 percent next year.

According to the prognosis of the Federation of Danish Industries, the economic growth rate in Denmark will thus become one of the highest in all of Western Europe.

The economists of the Federation of Danish Industries have based their business forecast on the following assumptions:

1. The economic growth rate in Western Europe will amount to 2 percent both this year and next year, while the growth rate in the United States will amount to as much as 6 percent this year and 3 percent next year.
2. Prices of raw materials in the world market will increase by up to 10 percent annually.
3. Energy prices calculated in terms of dollars are expected to remain unchanged this year compared to 1983, whereas an increase of 5 percent is expected from 1984 to 1985.
4. For technical reasons concerned with estimates, the dollar rate of exchange for 1984 has been put at an average of 9.65, while the average rate of exchange for 1985 has been put at 8.75 kroner.
5. The budget for 1985 will be adopted on the basis of the guidelines contained in the Easter agreement between the government and the Radical Liberal Party.
6. The pay ceilings fixed for the present collective agreement period will have to be complied with, and a wage increase in 1985 is expected which is a couple of percent below the wage increases among our foreign competitors.

The Federation of Danish Industries points out that developments certainly are subject to uncertain factors. The federation, first and foremost, points to the risk of an escalation of the Gulf war, which may lead to sharp increases in oil prices.

The international indebtedness crisis may, furthermore, become aggravated and reduce the possibilities of import on the part of developing countries.

Developments within the West German labor market are another uncertain factor. The situation may shatter consumer confidence and investment propensity in West Germany, which may readily spread to the neighboring countries.

Finally, the U.S. economy is stated to be another uncertain factor. For the sharply increasing budget deficit involves the risk of an increase in interest rates, which, in turn, may check the upswing in the United States.

Verner Puggaard, department head, the Federation of Danish Industries, who is one of the main persons behind the new prognosis, tells **BERLINGSKE TIDENDE** that the Danish economy is now on the right course but that there certainly still is a long way to go.

He draws the attention to the large foreign debt and national debt as well as to the jobless rate, which, in 1985, is expected to amount to 270,000 persons on the average.

## CONTINUED MODERATE WAGE GROWTH AIDING ECONOMIC RECOVERY

Copenhagen BERLINGSKE TIDENDE in Danish 15 Jun 84 p 1

[Article by Ole Schmidt Pedersen]

[Text] It is 26 years since Danish wage increases have been as low as now. The wage and salary statistics of the Federation of Danish Employers show that wage increases in 12 months have amounted to 4.2 percent.

Not since 1958 have Danish wage earners received as small wage increases as now.

The most recent evidence of wage trends comes from the wage statistics of the Federation of Danish Employers. It shows that from the fourth quarter of 1982 to the fourth quarter of 1983, wages increased by 4.2 percent. Preliminary calculations made by the Federation of Danish Employers show that the trend continues. Also during the first three months of 1984, wage increases did not go substantially beyond 4 percent.

The major reason why wage increases become increasingly smaller is the discontinuation of cost of living adjustments. Previously, the automatic adjustment alone gave workers wage increases of 30-40 percent. The outcome of the restrained collective bargaining in the spring of 1983, furthermore, subdued wage increases.

Twenty-six years ago, from the beginning of the last quarter of 1957 to the beginning of the last quarter of 1958, wages increased by 3.6 percent. At the time, the average hourly pay of a wage-earner was 4.88 kroner, but when the boom set in in the course of the following years, wage trends also took an upward direction.

Some of the biggest increases took place in 1973/74, when unskilled women obtained 22.7 percent more and unskilled men upwards of 19 percent.

In the fourth quarter of last year, the average hourly pay of a laborer was 65.15 kroner in addition to allowances of upwards of 13 kroner.

Skilled laborers earn approximately 13 percent more than unskilled laborers, but, at the same time, unskilled men earn 10 percent more than unskilled women.

More than half of the wage-earners entitled to wage adjustments in the middle of the collective contract period have completed their wage negotiations for the present year.

There are still no statistics to show whether wages have kept on the same low level as in 1983.

7262  
CSO: 3613/185

## WELFARE STATE ENDANGERED MOST BY BURDEN OF FOREIGN LOAN INTEREST

Copenhagen BERLINGSKE TIDENDE in Danish 17 Jun 84 Sect II p 8

[Article by Frank Dahlgaard]

[Text] Despite the surprisingly sharp upswing in the Danish economy, the Central Bank and the Independent Economic Advisory Council are deeply worried about the future of the welfare state. This is due to the rapidly growing interest costs on our foreign debt and the national debt. The survival of the welfare state now depends on our ability to win the race with the interest payments.

Is the Danish economy faring well or poorly?

There is considerable confusion, as far as this crucial question is concerned.

One day, the newspapers report optimistically on increasing consumption and employment rates, on sharply increasing rates of construction, business investments and export, and on an economic upswing, the fast rate and strength of which has taken all economists and politicians by surprise.

The next day, one may read gloomy reports on a growing foreign exchange deficit and growing interest payments, on an uncontrollable public sector and an increasing burden of taxation, as well as on an economic policy which does not suffice.

What is the poor reader of newspapers actually to believe?

The answer is that both types of stories actually are correct.

Right now, things are going extremely well for the Danish economy. The long awaited economic upswing is an indisputable fact and a gratifying surprise to most people.

#### Danger of Inability to Meet Interest Payments Lurking

It is, however, also a fact that the hitherto efforts of the four-leaf-clover government in the area of the economic policy have been insufficient. Not because it has been pursuing a weak economic policy but because the problems

have become so big that the policy pursued has not been drastic enough.

The problems which have assumed such dimensions are Denmark's foreign debt and the domestic national debt.

It is the interest payments on these two liabilities which constitute the big threat. For the debt and the interest burden increase sharply, and we shall only be able to meet these increasingly large interest payments if our production, incomes and exports increase at the same fast rate.

It is quite simply necessary for the present sharp and positive upswing in the Danish economy to continue at full speed in the coming years. Otherwise we shall lose the race with our interest payments.

And, in that case, Denmark will be ruined by them.

And that will mean the end of the Danish welfare society.

#### Same Situation as in Developing Countries

At the annual meeting last week of the Danish Savings Banks' Association, Richard Mikkelsen, Central Bank director, in a gloomy speech, explained the problems in connection with the growing debt and the increasing interest costs.

He stated that Denmark now has passed the point where the debt grows by itself.

Without our foreign debt and the interest payments on that debt, we would today have had a balance of payments surplus. The fact that we have a deficit is solely due to the interest payments, which by far exceed our export surplus. In other words, our foreign debt is growing at compound interest, and at an uncannily fast rate.

Correspondingly, without our debt and the interest payments involved, we would today have a surplus on the national budget--a budget surplus. The enormous national deficit that we actually have is solely due to our interest costs.

Both our foreign debt and the internal national debt are thus now growing with the interest payments, and we meet these interest payments by incurring new debt.

Denmark has thus entered into the same vicious debt circle in which many developing countries find themselves: We incur new debt merely to be able to service the loans previously raised.

As a result, the total debt and interest burden keep increasing all the time.

## Race With Time

Also Niels Thygesen, a member of the Independent Economic Advisory Council, has found it necessary to issue a sharp warning in the midst of the general enthusiasm in connection with the economic upswing.

Niels Thygesen told POLITISK UGEBREV 2 weeks ago that we may still lose control of the economy and run out of time. He says that too little emphasis is put on the balance of payments developments and points out that an exceptionally high rate of growth within the export sector has become necessary.

Also here the message is that it is true that the Danish economy is faring well, but that is indeed also imperative in order for us to win the race with the rapidly growing interest payments on our foreign debt.

For the interest taximeter keeps running all the time.

It has become a race with time.

A few figures may illustrate the extent of our debt and interest problems.

First, our foreign debt.

In the early sixties, Denmark had practically no debts. Ever since 1963, however, we have year after year had a foreign deficit (balance of payments deficit), and the result has been a steadily growing foreign debt.

By the end of this year, our foreign debt is expected to have reached approximately 200 billion kroner, which is equivalent to a foreign exchange debt per capita of 40,000 kroner.

Apart from Israel, no other country in the world has a correspondingly large foreign debt per capita. Neither Mexico, Brazil, Argentina nor Poland.

Our foreign debt is thus due to many years' balance of payments deficits, and those deficits, in turn, are due to the fact that year after year we Danes have spent more money than we earned ourselves.

We have made it a style of life to live beyond our means and to incur increasingly more debt.

If We Lose

It goes without saying that such a borrowing policy will not do forever. For a heavy debt means large interest costs, and a growing debt means growing interest costs.

At some point, our foreign lenders will lose their confidence in Denmark's ability to manage its liabilities--we shall lose our creditworthiness,

and shall have difficulty raising further loans. This is the situation which economists refer to as the precipice.

We may get an impression of what this means to the citizens by studying the conditions in the countries which today have difficulty raising any further loans (for example Poland and Argentina): Poverty, social unrest, scarcity of commodities, black marketeering, etc.

### Interest Ball Rolling

In the graph, BERLINGSKE TIDENDE shows the Danish balance of payments developments since 1960.

As will be seen, until the early seventies, interest payments abroad (the black part of the columns) constituted only a modest part of the balance of payments deficits. But after that, the interest payments on our foreign debt began to constitute a major part of the continued foreign exchange deficits.

In 1979, interest payments on our foreign debt thus accounted for 50 percent of our balance of payments deficit, and in 1981, interest payments accounted for our entire foreign debt. As the graph shows, we actually had a small surplus in 1981 on the actual trade with foreign countries but that export surplus was by far overshadowed by the interest costs.

Since 1982, our balance of payments deficit has been solely due to our interest payments on the foreign exchange debt that we have incurred. In the early eighties, our foreign debt thus passed the point where it grows by itself--at compound interest.

The problem no longer is that the Danish population is living beyond its means and has a deficit on its commodity trade and services trade with foreign countries. The problem is that our trade surplus is far too small to cover our interest payments. And the problem is that our export surplus does not grow fast enough to keep up with the increasing interest costs.

This is the situation which Richard Mikkelsen, Central Bank director, refers to as the interest race: The race of the export surplus with the interest deficit.

### Time Is Running

This year the economists of the government expect a total balance of payments deficit of 12 billion kroner. This surplus is the difference between our foreign interest costs of 21.5 billion kroner and an expected balance of trade surplus of 9.5 billion kroner.

Only when the balance of trade surplus has reached the level of the interest costs will the balance of payments be in equilibrium, and only from that point on will our foreign debt and interest costs cease to grow.

The problem, however, is that the longer time goes, the bigger becomes the interest burden, and the bigger demands are made on the balance of trade surplus. The task may gradually become rather impossible.

"We may run out of time," as Professor Niels Thygesen puts it.

#### Problem of Distribution

Next, our second debt problem, the internal national debt:

As late as in 1975, the Danish government (the state) was still without any debts, but then the large budget deficits started. Those deficits were financed through the sale of government bonds and instruments of debt--and the debt of the state increased rapidly.

This domestic debt has now passed the 250 billion kroner mark, and is equivalent to half of the entire country's national product and total income.

The domestic state debt does not, unlike our foreign debt, reflect our debts abroad.

The internal state debt shows that some Danes owe money to other Danes.

"It is simply a question of one hand owing the other hand money," as the Independent Economic Advisory Council put it in a rather sweeping manner a couple of years ago.

The problem is merely that the two hands are not the hands of the same person. The internal state debt, in other words, reflects a distribution problem:

It is all of us who as taxpayers are liable for the national debt and who have to pay the interest on that debt, but it is not all of us who receive the state's interest payments. Those who benefit from the state debt are those who have lent money to the state by purchasing state bonds. They are the ones who receive interest payments from the state.

And those who have lent money to the state--and who have thus covered the deficits of the state since 1975--are, to a large extent, pension funds, funds, and life insurance companies.

It is, in other words, the fairly comfortably off citizens who have good pension schemes and life insurances who primarily receive the interest payments of the state. They will benefit by the money as they retire.

#### Growth of Interest Item

In the graph, BERLINGSKE TIDENDE shows the trend of the total interest costs of the state since the beginning of the budgetary deficit policy in 1976.

The figures not only comprise interest on the domestic national debt but also the interest payments on the debt the state has incurred abroad. (The state is liable for up to 50 percent of Denmark's total debt abroad.)

As will appear from the graph, the interest payments of the state will this year exceed the 49 billion kroner mark. That is a larger amount than the total expenditures of the state this year for social pensions and severance payments.

Since the total state deficit this year most recently has been estimated at 48 billion kroner, this means that we would have a surplus on the state finances if it were not for the debt and the interest costs.

Or put in a different way: the national debt this very year passes the point where it grows by itself at compound interest.

#### Upswing Not Enough

Richard Mikkelsen, Central Bank director, said at the annual meeting of the Savings Banks' Association that provided interest rates remain at the present level, a state deficit of 48 billion kroner will cause the interest costs (after taxes) to grow by 5 billion kroner annually.

That means that in order merely to prevent the state deficit from growing, every single year in the future, 5 additional billion kroner will have to be saved on the state budget in order to provide space for the growing interest costs. Unless it is preferred instead to provide the money by way of annual tax and indirect tax increases.

To the extent that it will be possible to reduce the state deficit through increased economic activity with larger incomes, consumption and employment (which automatically will provide more taxes and indirect taxes for the treasury and reduce the costs of daily unemployment benefits and cash aid), the unpopular public savings will be avoided.

The problem merely is that the present economic upswing--however surprisingly big--is far from sufficient to balance the incomes and expenditures of the state within the foreseeable future.

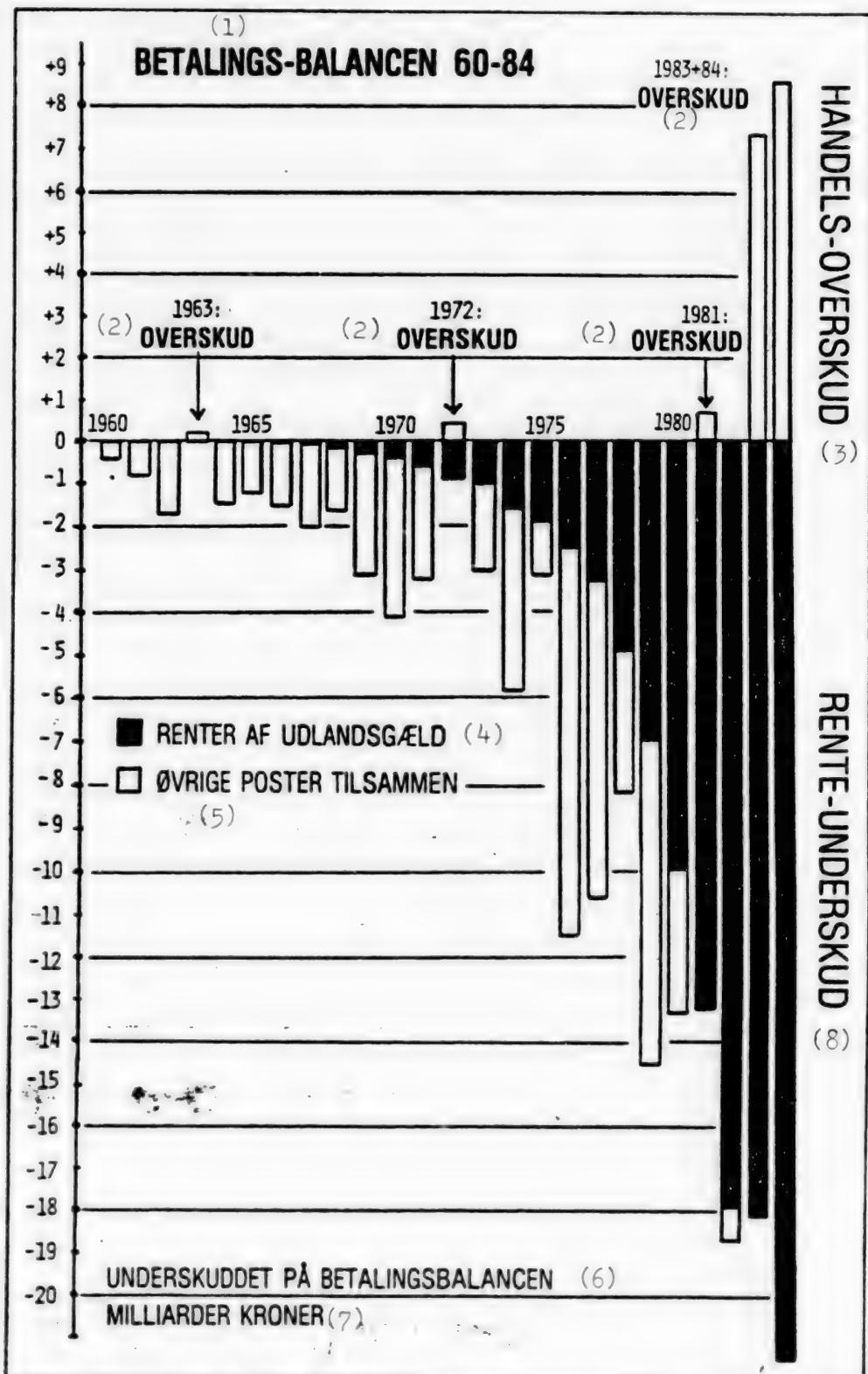
#### There Is No Time

We cannot wait for the upswing to rescue us. We have passed the points where this was possible. The policy of deficits and indebtedness of the past has caught up with us in the form of an enormous and automatically growing interest burden.

The politicians are forced to find new savings in the budget year by year.

It is a race with time and with interest payments.

It may very soon become an impossible task to get the state budget to hang together--on account of the rapidly growing interest costs.



Interest payments on the foreign debt incurred constitute a steadily growing part of the country's foreign exchange deficit (the dark part of the columns). As of the early eighties, all of it has become interest payments. Our foreign debt is now growing solely at compound interest, and we shall only be able to cease incurring new debts once the surplus on the balance of trade has caught up with the interest deficit.

[Key to graph on next page]

Key to graph:

1. Balance of payments 1960-1984
2. Surplus
3. Trade surplus
4. Interest on foreign debt
5. Total of other items
6. Balance of payments deficit
7. Billion kroner
8. Interest deficit

GROWTH OF INTEREST ITEM UNDER STATE BUDGET

Trend of Total Interest Expenditures of State

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1976:	1,665 million
1977:	3,462 "
1978:	3,613 "
1979:	9,440 "
1980:	11,794 "
1981:	18,271 "
1982:	24,300 "
1983:	37,500 "
1984:	49,300 "
1985:	53,000 "

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Source: Ministry of Finance

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## ECONOMICS COUNSELOR CULLELL ON CATALONIAN STABILITY

Barcelona AVUI in Catalan 22 Jun 84 pp 8-9

[Interview with Josep M. Cullell by J. Andreu on 21 June 1984, place not specified]

[Excerpts] The New Executive Council

The counselor of economy and finance and coordinator of economic matters of the Executive Council is one of the most popular politicians both inside and outside Convergence. Josep Maria Cullell knows, however, that this popularity will be of no use as soon as the negotiations are started which he will have to implement in the coming months so as to guarantee the financial stability of the Generalitat of Catalonia. Though yesterday we spoke of political problems, today we shall speak of the other great autonomous concern: finances. Everybody is aware that without adequate or appropriate financing, autonomy does not amount to much. Well then, the solution to this problem depends on this man Cullell. This is a problem which seems to be growing increasingly difficult, because of the significant growth of the public deficit, which the central government does not know how to stop.

"A Financial Solution Will Guarantee Autonomy"

The state's economic and financial situation is not the most favorable for forcing the resolute construction of the autonomous state. Miguel Boyer does not make things easy and Josep Maria Cullell knows that the financial future of the Catalan Government, the consolidation of financial autonomy, which is as important as political autonomy, will have to be established in the coming months. The initial premises--Compensation Fund and LOFCA--look positive. But the final objective of Boyer and Cullell are very far apart.

[Question] In the complexity of the financial scope of the Generalitat, what is the main problem his department must face?

[Answer] The basic problem for decisive final solution is the one referring to the financial clauses of the Autonomous Statute. The commonly held opinion, I mean in the Ministry of Finance and of the Ministry of Territorial Administration, is that neither the Interterritorial Compensation Fund (its methodology) or the LOFCA (the cost effectiveness of services) function. Rather the contrary, they distort the system and make it into a fairly ineffective redistribution system. We have a clear example in the transfer of the universities, for the degree of investment does not take into account whether you have the service transferred or do not have it transferred, whereby the communities with fewest services are obviously favored. The same thing occurs with the percentage. The fact that the famous replacement investment--the school agreements--are made in a way proportional to the number of public officials, makes for the perpetuation of deficits, an arrangement favoring the communities that already have, to continue the school example, a good public school. As a basic, urgent priority for action, we must proceed to revise the financial clauses and the methodology of the Compensation Fund (FCI), which must not be the sole and only way to express territorial common cause.

[Question] When there is talk of revising the financial clauses of the statute, it is said that a possible solution would be economic agreement. Prime Minister Pujol himself said so in his investiture speech. Do you advocate this?

[Answer] I do not make any exclusion as negotiations are about to begin and, certainly, none about agreement either. Madrid is the one making this exclusion, which it says is anachronistic. I think, moreover, that if Article 45 of the statute were applied in regard to Article 13 of the LOFCA, indeed, there would be a great similarity. In any case, if it is thought that the formula will continue to be harmful to Catalonia, we can always reform the statute.

[Question] For some time now it seems that there has been a resolute campaign that wishes to present the autonomies as being directly responsible for the increasingly higher public spending of the central government. Do you agree with this negative appraisal?

[Answer] I believe, in a very sincere way, that these are only excuses and that they are not adjusted to reality. This climate is sought when there is a need to face the deficit of the public enterprises and of Social Security. Their lack of jurisdiction, that of the central government, leads them to display and present the state of the autonomies as expensive. The autonomies constitute 5.25 percent of the deficit. This is only a drop in the bucket. I do not believe that the deficit of the autonomies, which moreover is overvalued, has much relevance. What are 50 billion compared to 1.8 trillion pesetas? What frightens me is that this terrible deficit will lead them to tax the incomes of the needy: after that, I think they will have lost their bearings.

[Question] Despite the fact that the current political moment does not seem to be the one most adequate or appropriate for starting talks, the sure fact is that, amid the storm occasioned by the controversy you were negotiating with the secretary of state for finances, Mr Borrell. Do you believe the talks will be profitable?

[Answer] Borrell has told us that the Right is orchestrating these campaigns, as is proved by the fact that they may have had prominence mainly in the aforesaid Right and Center-Right dailies ABC and EL PAIS. Borrell has also told us that he is aware that this situation must be modified and therefore they see clearly that the time has come to usher in a period of review of all this financial methodology. Now, this does not mean that we will come to similar positions, but it does mean clearly that in us he will always find an ally. We shall try to arrive at rational positions in the autonomies, but certainly without giving up financial autonomy, without which it is impossible to reach the full measure of true autonomy. Furthermore, nobody doubts it, one peseta invested by the Generalitat or any other community is always better invested, in view of the proximity to the citizen. The electoral results were probably the best proof of what I am saying.

[Question] There has often been talk of whether the Generalitat can develop or cannot develop its own economic policy. Does the Catalan Government really have the means to carry out its own economic policy?

[Answer] According to statutory legal authority, the legal authority to carry out its own economic policy is relatively limited. I believe that, just as at the ministry there is some predisposition to finance services, there is very little predisposition for the carrying out of economic policies from the autonomies. I believe these people have very little faith in the autonomies and wish to further restrict their already narrow legal authority. We shall give an example: We have exclusive legal authority in agriculture to sponsor farming the land. But this is not their point of view; with the economic policy law, a financial LOAPA, this is not viewed this way. According to what Article 149 of the constitution says, the solution would come to hook the "regional" economic programs into the central economic program, which has not been done. In order to avoid this LOAPAtization, the only possible way out is to establish a real economic program.

[Question] We have spoken of economic policy. Let us speak now of financial policy. The first steps, it seems, arouse fears and more in the central government. . . .

[Answer] I hope to win the appeal on the Institute of Agricultural Credit. Furthermore, we shall try to implement the Catalan Finance Institute. I must also say that we are surprised by some financial laws, like the one which sets the sales tax rates because they reduce and modify the capacity of the autonomous communities; we are also concerned because our wishes for dialogue on laws as well as our wish to modify organs of management have not been accepted. If our already small financial legal authority is further restricted, what do we have left to make an autonomous policy with? This is why I stress the importance of the Catalan Finance Institute.

[Question] We have already spoken of economic policy, of financial policy, there only remains for us to speak of budgetary policy.

[Answer] We shall present the 1984 budget a month after the Corts Generals Parliament has approved the law of percentages. We shall probably do so before, but still after seeing if the possible Catalan socialist group presents revisions to the increase; we shall give them our support by way of the Catalan Minority and this will allow me to believe in the sincerity of their protests. Consequently, the 1984 budget will be a substantiation of spending more than a budget. As far as the 1985 budget is concerned, first we shall have to clarify everything we have spoken of before. To go beyond is no longer possible.

[Question] There has been talk of the possible introduction of the Catalan Government's economic plan for the next 4 years. Is there any intention of implementing this plan?

[Answer] The economic plan is the only defense against a possible LOAPATIZATION; it is basic for economic agents to know the strategy of the administration and I believe that the plan of the Generalitat must contain the plans of other public administrations, all made with employers and unions.

[Question] Finally, counselor, how can one interpret the policy of reconciliation and dialogue announced by the president from his department?

[Answer] We shall not make use of our power; we are open to all political forces and the efforts to find points of understanding and dialogue will be a constant. I have no idea of when we shall be able to present the economic plan, for everything will depend on the financing of the Generalitat. I mean that we advocate Resolution 8 of the statute, according to which the state shall be responsible for the autonomous police and for TV3. We do not demand privileges but wish no discriminations either. If the Basque Country police is paid in spite of having agreements, Catalonia too has the same right. So if we can revive the question of financing, implement a minimum economic policy, have an autonomous financial system and bind all this tightly to the central economic program, I believe that we will be able to advance toward modernization and get out of the crisis. Nonetheless, we do not need to have obstacles placed in our path.

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## FUENTES QUINTANA ON URGENCY OF FINANCIAL REFORM

Madrid ABC in Spanish 25 Jun 84 pp 37-38

[Article by Enrique Fuentes Quintana: "Evaluation of Reform of Spanish Financial System"]

[Text] The need to pursue the reform of the financial system, run aground today by an excessive public debt, is imperative. This debt and the rigidity of the labor and financial markets are the major obstacles for the development capacity of our production, the social needs of employment and the desire for Spanish economic progress. This is the conclusion of the evaluation of the reform of the financial system for ABC ECONOMICO by professor Fuentes Quintana who started the process at a fast pace in 1977.

The Spanish financial system timidly began a reform a decade ago. It was clearly stated in measures and detailed in motivations in 1977. That reform is now going through critical times. That is the basis for the interest in evaluating the road traveled by that reform in order to tell us where we are and where we can go.

The contents of No. 18 of "Papers on Spanish Economy" which contains 37 articles by prominent specialists respond to that objective of evaluating the Spanish financial system.

## Need for Reform

The first and basic conclusion is the continuing existence of the motivations for the reform as expressed in 1977. The three guidelines for the Spanish financial reform were and are: 1) to adopt an active, continual and predictable monetary policy interpreted by a monetary authority with sufficient autonomy; 2) the need to achieve the best allocation of available resources and maximum technical-operational efficiency of the financial system through a progressive liberalization that would facilitate the penetration of financial innovations; and 3) to assure proper supervision of the financial system to achieve the greatest security and solvency possible of the institutions in it.

A. Treatment of the economic crisis requires policies of global adjustment (that balance the economy, reducing inflation and the foreign debt) and policies

of positive adjustment (that give flexibility and mobility to the markets of factors and products). These policies are impossible to carry out without applying active and continual monetary control that gives form to the monetary policy. The positive adjustments in the markets of factors and products need flexibility and jurisdiction to achieve liberalization of the financial system.

B. It is impossible to continue with an intervened financial system, plagued with interest ceilings and rates, obligatory investment coefficients, a lack of financial markets or defective functioning in allocating the available resources and with a monetary policy passively adapted to finance the cash needs of the economic system. That system which was the traditional one in Spain before the reform would have caused very serious problems for the functioning of the economy in the time of crisis. It has not been a theoretical objective --as few fortunately think--to seek the best allocation of resources which has led to the reform of the traditional financial system.

C. The reform of the financial system was also indispensable to permit penetration of financial innovation and to gain productivity and future viability for the financial institutions and intermediaries. A rigid financial system with interventions and isolated from foreigners would have been a factor of unacceptable inefficiency for any country that has a stake in its economic process.

The reform of the financial system oriented in the directions indicated is the only available alternative to modernize our institutions. No one, absolutely no one, has come up with a reliable reform of the financial system different from what was undertaken and justified since 1977.

The second conclusion reached in examining the situation of the financial system emphasizes the dramatic importance of the public debt which has become the most important national economic problem. Almost everything has been said about the public debt but we Spaniards--as an organized society--have hardly done anything to confront it decisively and effectively.

The economic and financial dimension of the public debt can be expressed in a few conclusive figures that reveal its resounding effects. The public debt was 5.9 percent of the GDP in terms of national savings in 1982. The size of the debt is still more spectacular since in 1983 the debt was more than 30 percent of private savings and 80 percent of family savings.

The financing absorbed by the public sector in the last 5-year period has increased at an average annual rate of 45 percent while the financing received by the private sector has dropped from 15 percent to 10 percent. In 1983 current budget transfers to the enterprises were equivalent to more than 50 percent of all the credits involving the bank system.

Figures of those dimensions necessarily produce effects in three different directions.

One is the causes that produce that debt. These include the growth of current expenditures, transfers to families and enterprises and expenditures for public

consumption, not investment. The debt is the ultimate expression of growing social pressure aimed at continuing to finance productive structures without a future at the cost of the budget or revenue expenditures to sustain consumption levels without incorporating any added value. The public debt is, therefore, the cost of economic immobility, the refusal of society to carry out the necessary economic change imposed by the crisis.

The debt considerably increases the cost of a stabilizing monetary policy which is necessary to reduce inflation.

In short, the public debt stops the reform of the financial system, distorting its shape and the use of the monetary policy instruments that will only accept the obligation of financing the debt at the lowest cost possible.

Those three costly consequences mean the public debt must be treated as the most important national problem. They make it necessary to seek solutions through that recognition by Spanish society. There is general agreement on that conclusion by the collaborators in the opinions published in "Papers on Spanish Economy."

If the public debt is not reduced, reform of the financial system will stop--as occurs today--as will adjustments of the Spanish economy to the crisis. Any economic improvement will be temporary and will be conditional while the public debt persists.

#### Drop in Savings

The third conclusion of an evaluation of the financial system refers to the concern caused by the negative behavior of the savings and investment processes. The loss of more than five points in the investments' percentage of the GDP (we have gone from 24.4 percent of the GDP before the crisis to 19.3 percent last year) and the even greater drop in national savings (from 24.3 percent before the crisis to 17.8 percent in 1983) are worrisome facts that compromise the economic present and future.

This behavior of savings and investments seems to require joint treatment by the economic policy. After an analysis and evaluation of the current situation, this could lead to definition of a complete policy of savings promotion (as France has done with the Dautresme report), a favorable framework for collective investment (including the hoped for but never achieved amount of the Pension Funds) and a strengthening of investments in capital risk.

Those aspects of the economic policy cannot be delayed any longer.

An evaluation of the reform of the Spanish financial system must point out the banking crisis in these critical years and its lessons for a policy of supervision of the system. This is one of the axes of the reform.

#### Financial Innovation

The fifth conclusion of the evaluation of the financial system is the incorporation of innovation in institutions, instruments and markets which the reform

has permitted. The main objective of the reform was to open the doors to financial innovation. The years since that freedom was granted have proven that the opportunity has not been wasted.

Today we have a financial system in which important innovations have been incorporated in markets, institutions and new financial instruments. The system has considered and accepted new information and automation technologies. It has been internationalized, multiplying credits to nonresidents in foreign currency. It has developed markets that did not exist before like the monetary market and has created new instruments to support risks (futures markets), to reduce costs (automatic tellers) and to avoid the most harmful effects of antiquated regulations. If the Spanish policy hinders that penetration of financial innovation attempted by the reform, it will be isolated from the development process.

All the above conclusions end in an imperative need: to pursue the reform of the financial system, run aground today by an excessive public debt. This debt and the existing rigidity of the labor and financial markets constitute the major obstacles which are recognized today with practical unanimity but not remedied by it. The development capacity of our production, the social needs of employment and the desires for progress of the Spanish economy run into these obstacles daily.

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CSO: 3548/281

## PUBLIC SECTOR ROLE IN ELECTRONICS, DATA BASES URGED

Madrid YA in Spanish 13 Jun 84 p 15

/Text/ It is necessary to use the buying power of the public sector for data processing, especially in education, health, defense, and telecommunications, Jose Vicente Cebrian said in his paper entitled "Social and Cultural Aspects of Data Processing," which was presented at the symposium organized by the Ministry of Culture under the title of "New Technologies in Spanish Cultural Life." Cebrian said that the 12 billion pesetas spent this year on electronic data processing should have a compensating factor.

Mr Cebrian said that we were heading toward an information society dominated by foreign culture and with scant participation by Spanish intellectuals and government-run television. We must concern ourselves with providing appropriate programming since this is certainly within our capabilities even though we cannot manufacture large computers.

In Spain we still do not consume much in the way of electronic programming and processed data, and if we do not introduce the new technologies to augment production, others will. U.S. industrialists are convincing firms that they should have one terminal per employee. Ours should have at least one per company. We need a national debate, not on what the response should be in general terms, and for anywhere in the world, but on what we are doing and what we can and ought to do here and now.

## Theater in a Technological Society

"The Theater in a Technological Society" is the title of a group of papers coordinated by Jose Monleon and written by Francisco Nives, Guillermo Heras, and Domingo Miras. "Technological development," states Jose Monleon, editor of the review, PRIMER ACTO, "has had and will increasingly have a profound influence on the future of the theater. And this is not just because of its influence on theatrical expression but because of the changes--perhaps to a decisive degree--which this development has made in society. In theory, there is no ideological quarrel between the theater and the forms of narration that are assisted by the new technologies. The problem is not in the esthetic idioms but in the way the powers, institutional or de facto, make use of each of them. And now we have reached a point where these powers know very well that the theater, since it is a minority, is untainted. Regarding this, it is sufficient to consider the difference almost everywhere between theatrical 'freedom' and, for example, the limits or controls imposed on television directly or indirectly."

Guillermo Heras, director of the New Staging Techniques Center, is the author of the paper "The New Technologies and Their Influence on Theatrical Productions." Technology and theatrical art, he stated, should join together in many specific areas. The new theater needs to move ahead on a broad front in the areas of new dramaturgical trends, new interpretations, and new concepts of staging as a means of communicating with the spectator. In former times the theater served as a means of information and entertainment, but then there was a limit to the kinds of entertainment available to the public compared to the present. To try to compete with the great mass communications media is to lose the battle before it begins. Today the theater is a place of pleasure, upheaval, and specific poetic communication. To approach the new technologies with an inferiority complex is to underestimate their potentiality and underrate the support and help that the theater can enjoy from these advances.

Domingo Miras, winner of the Lope de Vega prize in 1975, is the author of a paper entitled "Dramatic Literature and the New Technologies." The panorama which the future shows us, he warns, is a debasement of intellectual rigors to childish levels in theatrical plays and as a consequence the disappearance of dramatic literature and its substitution by purely functional scripts conceived as vague abstracts of plays composed of images with minimal and extremely simple verbal elements required by such images to aid to their intelligibility. "This is the path which our theater culture is following unheedingly and which is for me the road to decadence. The future history of Spanish literature will have a few dramas less, the theater will consist of very cautious productions of obvious and elemental content, and that will be all."

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## CURRENCY-IN-CIRCULATION SURVEY REFLECTS INFLATION CRISIS

Madrid ABC in Spanish 25 Jun 84 p 43

[Text] On 1 January 1984 Spanish fiduciary circulation totaled 1.814 trillion pesetas in bills and 98.7 billion pesetas in coins. The 5,000-peseta bills increased the most while the 1,000-peseta and 100-peseta bills went down. These are signs of the serious inflation we experience.

As to quantities expressed in pesetas, circulation increased 169 billion pesetas in absolute value and 10.1 percent in relative figures. Last year, these increases were 203 billion pesetas and 13.7 percent, respectively.

In types of bills, growth occurred in the 2,000-peseta, 500-peseta and especially the 5,000-peseta bills totaling 211 billion pesetas. This was compensated in part by decreases in the 1,000-peseta bill (58 billion pesetas) and the 100-peseta bill (12 billion pesetas).

The structure of circulation in pesetas has continued its concentration in 5,000-peseta bills. By absorbing 65 percent of the total--an increase of six points--it again reveals the need to issue 10,000-peseta bills. The 500-peseta bills also increased notably, a gain of 50 percent. The 1,000-peseta bill--down seven points--and the 100-peseta bill--down a third of its previous amount--experienced considerable drops.

The growing evolution in pesetas has no parallel in number of bills since the total number of bills has decreased by 99 million bills compared to an increase of 37 million in 1982. The variations in absolute figures were: 42 million, 24 million, -58 million and -115 million in bills of 5,000, 500, 1,000 and 100 pesetas, respectively. The corresponding percentages were 21.1 percent, 35.8 percent, -9.7 percent and -24.6 percent.

This notable difference between evolution of the amount in pesetas and the number of bills in circulation is considered very positive since it clearly responds to the objective of maintaining the circulating bills in good condition. A prior condition for this is that the number of bills be reduced even more and stabilized around 25 per capita.

In this sense the improvement achieved in recent years is obvious. Not only has the rate of growth slowed down--approximately 13 percent per year between

### Structure of Circulation of Bills

Bill	Circulation				Participation of Series (%)			
	Millions of Bills	1983	1982	Billions of Pesetas	1983	1982	Value in Pesetas	1983
5,000	240	198	1,203	992	19	15	65	59
2,000	8	---	16	---	1	--	1	--
1,000	542	600	542	600	44	45	29	36
500	91	67	45	33	7	5	3	2
100	353	468	35	47	29	35	2	3
Total	1,234	1,333	1,841	1,672	100	100	100	100

1970 and 1977--but it has been possible to go from 1,361,600,000 bills in circulation in July 1978 (36.8 per capita) to 1,234,000,000 in December 1983 (32.5). This has been possible, first of all, due to the new issues of 5,000-peseta bills and then of 2,000-peseta bills. This has made the issue of 968 million bills unnecessary. Second, the coining of 100-peseta coins displaced 115 million bills of the same value in 1983 alone. Keeping the number of bills under the limit of 1 billion units will make it possible to considerably improve their preservation, the second phase of the objective of the Bank of Spain.

As to the relative participation by each denomination in the number of bills circulating, it is interesting to note the high percentage (29 percent) that still corresponds to the 100-peseta bill.

The Bank of Spain received 643.5 million bills from the National Mint, 75.9 million more than in the previous year. About 603.8 million were unused compared to 580.1 million in 1982. As was said, circulation went down 99 million bills. All this meant an increase in the supply of bills which was considered necessary.

The 455 million 0.50-peseta coins disappeared from circulation, withdrawn officially. The growth experienced during the year rose to 30.7 billion pesetas (45.2 percent) although the number of coins increased only 635 million (6.8 percent) because the majority issued were 100-peseta coins (225 million coins). The stagnation in the issue of 1-peseta coins is notable but not significant since it is due to the shortage almost the entire year because of difficulties in the supply of coin blanks. The increases in the 50-peseta and 25-peseta coins (38 million and 216 million coins, respectively) and the slight increase in the 5-peseta coins should be mentioned. The latter increased only 33 million units while the net issue the previous year was 383 million.

As to percentages of participation of each coin in the total number, there are no real changes. However, the percentage structure based on value has evolved favorably toward a much more balanced composition mainly as a consequence of the expansion experienced by the 100-peseta coin.

### Structure of Circulation of Coins

Coin	Circulation				Participation by Type (%)			
	Millions of Coins	1983	Billions of Pesetas	1982	Number of Coins	1983	Value in Pesetas	1982
0.5	----	455	0.2	----	4.7	----	0.3	
1	4,867	4,807	4.9	4.8	49.1	49.4	4.9	7.1
5	3,071	3,038	15.4	15.2	31.0	31.2	15.6	22.4
10	53	-----	0.5	----	0.5	----	0.5	----
25	1,319	1,103	33.0	27.6	13.3	11.3	33.4	40.7
50	314	266	15.7	15.3	3.2	2.7	15.9	19.6
100	292	67	29.2	6.7	2.9	0.7	29.7	9.9
Total	9,916	9,736	98.7	67.8	100.0	100.0	100.0	100.0

### 100-Peseta Bills and Coins in Circulation

Type	1983		1982	
	Millions of Units	Percentage	Millions of Units	Percentage
Bills	352.5	54.6	467.9	87.5
Coins	292.5	45.4	66.8	12.5
Total	645.0	100.0	534.7	100.0

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CSO: 3548/281

## INDUSTRY COUNCIL SEES SLOWER GROWTH AHEAD FOR 1985

Stockholm DAGENS NYHETER in Swedish 20 Jun 84 p 12

[Article by Jan Magnus Fahlstrom]

[Excerpt] The Swedish economy will show more growth this year than in 1983, 2.6 percent compared to 2.3. That is what economists at the Industrial League said in their latest market report, just the opposite of what they believed last fall.

But next year this will moderate to 1 percent. They have chosen "Warning Against Exaggerated Growth Optimism" as the heading for their new forecast.

They base their assumptions on the expectation of a much weaker development in export markets in 1985, primarily because U.S. demand will be reduced sharply.

In addition, Swedish industrial costs are rising "considerably faster" than in West Germany, for example--aside from the fact that some of the devaluation gains from 1982 will still be evident at the end of next year.

From 1982 through the first half of this year foreign trade has been a dominant force behind the Swedish economic upturn.

This period is now coming to an end, in the opinion of the Industrial League. The export increase will moderate and be balanced by a sharp surge in imports, especially in the sector of investment goods.

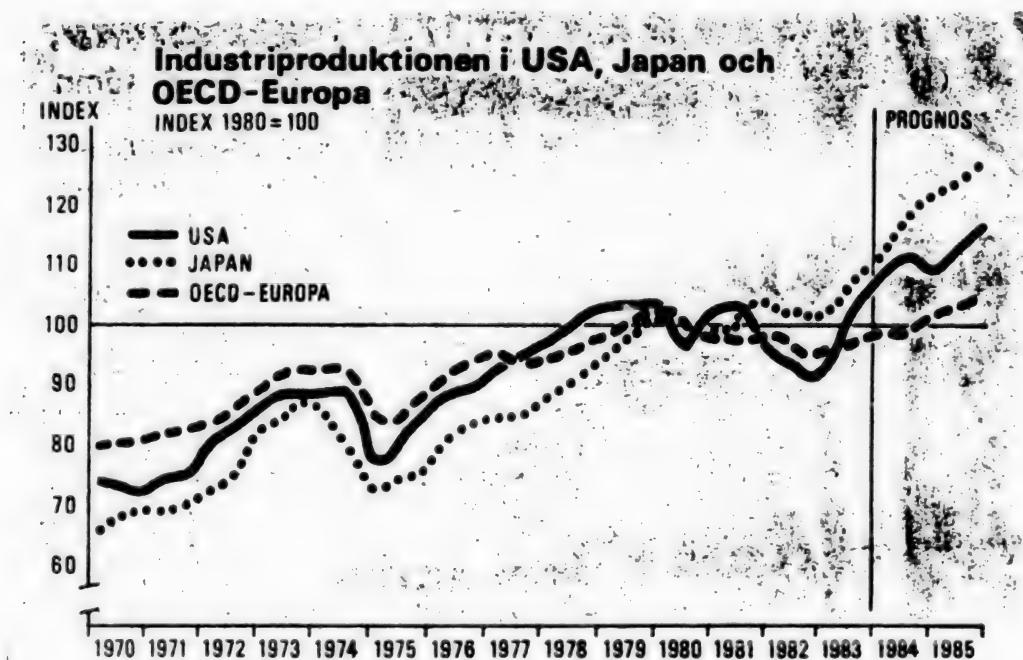
## Domestic

In other words continued growth will no longer be led by exports. Foreign trade contributes very little to the increase in Gross National Product (GNP) of 2.6 percent which the Industrial League predicts for this year. Instead private domestic demand will be pulling things along.

This will occur mainly through an increase in investments of 13 to 14 percent or of 20 percent if one looks at industry alone.

The industrial group predicts that the upturn will continue in 1985. But the rate of growth will be more than cut in half to 9 percent as far as industrial investments are concerned.

Private consumption will increase 0.4 percent this year after last year's decline of 1.6 percent and next year the rate will climb to 1.3 percent. But the bottom line will be a leveling off of the upturn in domestic demand at 0.7 percent in 1985 compared to 1.2 percent this year.



Industrial Production in the United States, Japan and OECD-Europe

Following the presidential election in the United States, the exchange rate of the dollar will decline, the Industrial League predicts. This will be reflected in a decline in industrial production in the United States between 1984 and 1985.

Key:

1. Projected growth

### Decline

This in turn probably means that total economic growth--which will get a "negative contribution" from foreign trade--will fall in 1985 from 2.6 percent to a modest 1 percent. One consequence of this will be that unemployment will remain at the same level as this year.

The Industrial League economists place unusually heavy emphasis on the uncertainty of the forecast. Thus the text of their report begins with a reservation:

"It is impossible this time to make even a short-term market forecast without resorting to a number of assumptions to which some objections could be made."

One of these assumptions that they often return to is that the U.S. dollar will decline "without much drama" to a level by the end of 1985 that will be only slightly above the level it was at in early 1981. That would mean a 20 percent reduction in the exchange rate of the dollar.

### Check

According to this scenario the American economic upturn will be checked in the second half of 1984 due to pressure from a continuing rise in interest rates during the summer and fall.

In order to arrest the climb in interest rates, the United States will increase the availability of credit. First and foremost, strong proposals will be presented--after the presidential election--for reducing the budget deficit. The result will be declining interest rates and thus a slide in the exchange rate of the dollar.

As the dollar declines toward the end of 1984, making foreign products more expensive in the United States, American import demand will fall. That will have a negative effect on the economy in Western Europe.

But at the same time Western Europe will benefit from declining interest rates and declining prices in domestic currency for oil and other imported goods on which the prices are fixed in terms of dollars. The decline in the rate of the dollar is not expected to be fully offset by price hikes on raw materials.

The result would be that the economy in Western Europe will come around toward the end of the year."

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CSO: 3650/227

## OECD REPORT PREDICTS GNP GROWTH ABOVE EUROPEAN AVERAGE

Stockholm DAGENS NYHETER in Swedish 21 Jun 84 p 9

[Article by Jan Magnus Fahlstrom]

[Text] As far as Sweden is concerned the OECD report is more optimistic than the Swedish government and most recently the Industrial League. The OECD predicts a growth of 3.25 percent in the Swedish economy this year compared to the 2.8 percent in the revised national budget and the 2.6 percent estimated by the Industrial League.

The OECD predicts a growth of 2.5 percent in Sweden in 1985 while the Industrial League estimated 1 percent. The OECD growth figures for Sweden are above the average for European OECD countries, 2.25 percent, for both years.

The report's section on Sweden made special mention of the progress that has already been made or that is considered probable.

The OECD economists note that the deficit in the balance of trade fell from 3.5 of Gross National Product (GNP) in 1982 to 1 percent in 1983. They think there will be a slight surplus in 1984 which will increase in 1985.

They point out that financial policy has been gradually tightened up. The deficit of the consolidated public sector, which was up to 6.2 percent of GNP in 1982, fell to 3.5 percent this year and is expected to decline to 3.3 percent next year. Thus in both years Sweden will have a deficit lower than the 3.6 percent average of 17 OECD countries.

The OECD economists refer in laudatory terms to the measures the government introduced to bring down inflation but question the effect of the latest wage contracts.

"This is a very positive assessment of the Swedish economy, much more positive than I myself would venture to present," commented Finance Minister Kjell-Olof Feldt.

"And we should note that this comes at the same time as the authors of the report are downgrading their expectations for the OECD area as a whole. This

means among other things that they think Sweden will continue to take market shares in 1985," said Kjell-Olof Feldt.

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CSO: 3650/227

## STATE TAKES LARGEST-EVER FOREIGN LOAN

Stockholm DAGENS NYHETER in Swedish 21 Jun 84 p 9

[Article by Jan Magnus Fahlstrom]

[Text] On Wednesday Sweden took out its biggest foreign loan to date, a loan of \$3 billion or 24 billion kronor. It will be used to repay older and more expensive bank debts in advance.

The National Debt Office says that it can save at least 50 million kronor a year in interest costs in this way.

The new loan is also a bank loan arranged by four big international banks and the Swedish Trade Bank. It resembles a checking account credit with the interest depending on the size of the amount used. But at no time will it be more than 0.5 percent above the Eurodollar interest rate in effect at the time.

#### Auction

A new twist is that the National Debt Office has acquired the opportunity of obtaining lower interest rates by "auctioning off" part of the loan to banks that are especially anxious to lend money to Sweden.

"There is plenty of money on the market now and far too many poor borrowing risks," said Finance Minister Kjell-Olof Feldt. "The ones that really need the money do not get to borrow it. All Sweden, with its good reputation as a borrower, has to do is help itself."

A week ago Sweden took out a bond loan of \$750 million. This too will be used to pay off older bank loans. The reason given for this step was that bond loans are better than bank loans because they are both cheaper and extend over a longer period of time.

In that case, why was a new bank loan chosen on this occasion?

"We also need an opportunity to get the money quickly," said section leader Christine Holm of the National Debt Office.

"We did not want to be forced to issue a bond loan when we need money without being able to select the occasion when the terms are best."

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## PRICE FREEZE SEEN HAVING LITTLE EFFECT ON INFLATION

Stockholm DAGENS NYHETER in Swedish 20 Jun 84 p 12

[Article by Bjorn Andersson]

[Excerpts] So far this year prices have risen 3.8 percent. The government's stated goal was that prices should rise only 4 percent for 1984 as a whole. Since the price freeze was introduced prices have risen 0.7 percent!

Most of the price increases that have occurred since the price freeze began on 14 April are the result of political decisions.

On Tuesday DAGENS NYHETER sought in vain for someone at the Finance Ministry who would comment on price developments this year.

The inflation rate in Sweden is higher now than it was last year.

According to the Central Statistics Bureau, prices rose 3.8 percent from the middle of December to the middle of May. It is true that this is less than the 4.2 percent that prices increased during the same period last year. But seen over a longer period, the rate of price increases is rising.

In the last 12 months prices have risen 8.9 percent. In the preceding 12-month period prices rose 8.7 percent.

The government introduced a general price freeze on 14 April. But from that time to 1 May, prices rose 0.7 percent anyway according to the estimates of the Price and Cartel Board.

#### Reasons

There are several reasons why prices are continuing to rise in spite of the general price freeze imposed by the government.

For one thing there have been price increases in things not covered by the price freeze, including fresh fruit and vegetables, which have increased a total of 0.3 percent.

For another, prices have risen as a result of purely political decisions. There was the agricultural agreement that went into effect on 1 May and raised the price level by 0.2 percent and there was the increase in gasoline taxes which raised the price level by 0.1 percent starting in May.

Other political decisions, including Swedish Railway's price hikes, raised the level by another 0.1 percent.

This provides grist for the mill of the critics who say that inflation cannot be halted by a price freeze. It just keeps on rolling.

#### Goal

The government's official goal was a price rise from the middle of last December to the middle of this December of only 4 percent. By the middle of May prices had risen 3.8 percent.

In other words prices can rise only 0.2 percent in the remaining 7 months of the year. This goal is practically impossible to meet even with very large tax reductions in the consumer branch.

No one DAGENS NYHETER talked to was willing to predict where the inflation rate would end up. But it is clear that inflation in Sweden will continue to be higher than it is in our most important competitive countries in the export markets.

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## UNEMPLOYMENT FIGURES SHOW SLIGHT IMPROVEMENT

Stockholm DAGENS NYHETER in Swedish 14 Jun 84 p 12

[Article by Kerstin Sedvallson]

[Text] Open unemployment declined in May. During that month 115,000 people were out of work in Sweden, or 2.7 percent of the work force. That is 20,000 fewer unemployed people than there were last May.

This encouraging piece of news was reported Wednesday by the Central Bureau of Statistics (SCB) in its survey of the labor force for the month of May.

But in spite of this more people are involved in special programs such as training programs and special jobs than was the case a year ago.

There are 125,400 people involved in job training, emergency work programs, youth crews and vocational training and testing at labor market institutes. This figure should be compared with 114,400 last year.

To these 125,400 people being taken care of by AMS [National Labor Market Board] in various programs we must add another 24,200 people who are employed with the help of recruiting subsidies. In these cases the state is paying half the wages of those employed.

Thus 115,000 people were jobless in May. And 149,200 people had jobs or training through AMS.

The available labor force, the number of people with jobs plus those who were seeking work, consisted of 4,330,000 people in May. That is 19,000 fewer people than last year.

The Ministry of Labor cannot explain this figure of 19,000. It may involve people who ended up outside all the available systems and computers.

Of the 115,000 people out of work in May, 28,000 were young people under the age of 25. At the end of May 29,200 18- and 19-year-olds were employed in youth crews. Young people in that age group must have 4 hours of work a day under a law dating from 1 January of this year.

But AMS noted with satisfaction that the number of job openings continued to rise. The job openings occurred in industry. During May there were 11,000 new industrial job openings. That is twice as many industrial job openings as there were last May.

However experience and training are required for most of these vacant industrial jobs.

"But we also have many people like that who are looking for work," said Marianne Axling of AMS.

There was a decline in the number of job openings in April. During May there was a sharp rise in the number of unfilled jobs. In that month 71,200 new openings were reported to employment bureaus. That is 19,000 more vacant jobs than there were a year ago.

There were 2,210,000 people employed in May, the same number as there were a year ago.

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## OZAL INTERVIEWED ON ECONOMIC, POLITICAL TROUBLES

Istanbul CUMHURIYET in Turkish 17 Jun 84 pp 1, 11

[Text] Ankara (TURKISH NEWS AGENCY) -- Prime Minister Turgut Ozal said in an interview with THA [TURKISH NEWS AGENCY], "I am taking the route I think is right. I am not jogging back and forth just for political purposes."

Ozal also said, "We talked about these hardships before the elections and said they would be coming. Now everyone will have his share of them."

The THA interview with Prime Minister Ozal follows:

[Question] Various organizations have conducted public opinion polls, the results of which have been a general unhappiness with the situation. Indeed, there were even such answers as, "I wish I had broken my arm instead of voting for Ozal." What is your comment?

[Answer] The unhappiness is natural. The problem is, the country has problems. These problems have not gone away today. People tend to forget. Some of the shortages, the scarcity, the long lines of just yesterday were quickly forgotten. The unhappiness stems from this forgetfulness. Today the businessman and the farmer alike are complaining. Which means that everyone is hurting equally that these complaints occur.

Some price adjustments were not made in 1983, hoping for an advantage in the elections. These, it seems, were left for us to do. We made some of the adjustments. We left sugar, tea and certain important items for later. If it had been up to me, we would have done them all. But my colleagues all agreed that we shouldn't because local elections were coming up. The remaining price adjustments were left until after 25 March.

The whole story, though, is that inflation was lower in the first 4 months of 1984 than in the last 4 months of 1983.

If we had not been delayed in forming a government by constitutional restraints, we would have made all of these price adjustments during 1983, and 1983 inflation would have reflected its true level at that time. Then inflation for the first 6 months of 1984 would not have been where it is.

[Question] But the citizen is talking about "the high cost of living." He is talking about tomatoes.

[Answer] Produce coming onto the market in April is greenhouse produce. This is true of tomatoes, too. They are not field tomatoes. Moreover, the weather has not been favorable. There was not enough rain. Now, just right at the present time, field tomatoes are coming in. Price will drop. Prices will drop for other vegetables as well. There are also cherries, even though cherries are not the most widely eaten fruit in Turkey. They have a short selling season, then they are over.

The problem is fundamental. It is not a problem of tomatoes, cherries or plums. It is normal to have some periods when prices are high in the fight with inflation. However, there are also psychological aspects of the struggle with inflation. If it is set down in black and white every day that tomatoes cost this much, cherries cost that much, such-and-such is so hot it burns your hand, then it is going to be hard to prevent certain things.

To fight s psychological impact, we may, or we may be forced to, press even harder th .ime and then the prophecy would be self-fulfilling. Those who raised their pric. expecting inflation to rise would later reach the point where they could not sell their goods. Then it would be hard to go back and they would even have to sell below their former prices. And that would put some of them in an extremely tight situat.on. Even the newspapers would have a share in this.

[Question] Since the problems are this bad, aren't you thinking of establishing a dialogue with various circles? Aren't you trying joint methods of solution by establishing good dialogues?

[Answer] Some problems, don't worry, are going to work themselves out. We have to put priority on confirming that. The administration should not be blamed for weakness for reasons that are not its fault. This is a most difficult year we are having in this problem. I believe it is useful to establish dialogue with everyone. It would also be useful to have a dialogue with the owners and managers of the newspapers and publishing media. When you open the newspaper every day and see headlines about how high prices are and how much tomatoes have gone up, that affects prices. So do some of the articles that are written. But, it is necessary to realize this. These are phases of the struggle with inflation. Unfortunately. a hard-fought battle is possible only by adding a little to the hardships as well.

[Question] There have been comments by some of the ministers. Such as, "We did not say everything would be resolved at once," or "We have 5 years ahead of us." Don't these comments also create reactions and psychological impacts?

[Answer] There could never be a question of anything like saying we would solve everything at once. Each problem will be solved in its own time. I am doing a job that I have spent 35 years of my life learning about and working with. I believe that I am on the right track. Let me say plainly that I am determined not to be influenced, that I will stop up my ears and stick to this appropriate policy. If we listen to every theory that comes along, we get shunted off the right track.

[Question] It has been 6 months since you took office. What would you say has been accomplished in this time?

[Answer] Since we took office, we have done many things it was not possible to do in years past. Let me assert that we have done things that would be considered reforms for this country.

First, we revised the cabinet. If you look at the last several cabinets, you see that our government is the one with the fewest ministries. Other revisions will be completed by the time our term expires.

Another is the radical reform we have made in the regulations protecting Turkish currency. Anyone can now feel free to put \$3,000 in his pocket and go abroad. When we deregulated foreign travel, they told me, "Everyone is going to pocket his \$3,000 and go abroad; there will be no foreign exchange in the Treasury." Well, where is it?

And with these reforms, we prevented the black market. Everyone was worried about that. Where is this market now? Where are the black market foreign exchange dealers? They were stopped.

Significant strides were taken in liberalization and in imports. There was some uneasiness here, and there will be.

There are some problems in imports because Turkish currency is not convertible. They are temporary and will be corrected.

When it comes to exports, we are going to meet our goal in 1984. I can say that we will exceed \$7 billion by the end of the year. Another thing is the housing problem. We have taken very significant strides in this problem. We have solved the squatter housing matter.

Now we are going to complete unfinished housing. We are providing 3-year, high-interest credit to the builder-seller. We put it at high interest so the building will be completed and the housing sold as soon as possible. The new Public Works Law will be in parliament soon. If it takes a citizen 2 years to get a permit from the state, illegal structures are going to increase, but we will prevent this by getting the citizen's permit to him as quickly as possible. We will make changes in the zoning and construction plans. Long waits will not be necessary for these plans to be drawn up. They will be handled by the municipalities from now on.

Another reform has to do with the bureaucracy. Preparations have been completed for regulations to reduce red tape in passport, identity and marriage paperwork, and they will be out any day.

Another of our reforms involves development of Southeastern and Eastern Anatolia. Facilities, tax rebates and incentives are ready for investment in these areas. The bill on this will be in parliament soon also. Our goal is to have this out during June.

[Question] The recent discontent emerging in the Motherland Party is being watched with interest. What is the problem?

[Answer] There is not such a great deal of discontent. The real reason, in my opinion, stems from the inexperience of our members of parliament and electoral procedures. We have only four or five members who have been in parliament before. They were no sooner in parliament than they were hit by a flood of citizenry affairs. The ones without former experience will learn with time what can be done and what cannot. We are new to office. This is our most difficult year. The citizen will be inconvenienced when his affairs are not resolved, when a national deputy cannot take care of the affairs of those who just elected him. However, these things will get on track in time.

[Question] They are saying that these problems stem from the existence of four different factions within Motherland.

[Answer] Our group does not have four bases or whatever. All opinion is melded into the Motherland idea. There is no one in our party close to former leadership cadres. We did not let anyone from the old parties join. If we had, they would have been vetoed anyway.

[Question] Might there be discontent in the party because Kececiler, Kahveci, Professor Pakdemirli and, finally, your brother are in positions of influence?

[Answer] No, not at all. These colleagues are doing their jobs as "technicians" within the confines of the law. Their positions are not above-ministry.

I also want to point out this in particular. No other prime minister has been as content as I am to leave his ministries alone. They are extremely free except for a few recommendations I have made about general coordination. When they ask to consult with me, I tell them my views. I do not interfere otherwise. This is true also for the party and the Assembly group leaders.

[Question] What about the national coalition debates?

[Answer] The hungry hen dreams she is in the grain room, as they say.

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CSO: 3554/257

## CASE STUDY COST OF LIVING SURVEY

Istanbul CUMHURIYET in Turkish 17 Jun 84 pp 1, 11

[Article by Senol Konukcu]

[Text] The 12 members of the Balkan family, residents of the squatter's area in Gultepe, are struggling to get by on 35,000 liras a month. The family pays 7,000 liras rent for the squatter's house in which they live, and it takes 15,000 liras a month to pay for bread. The Balkan family's basic diet is soup and cracked wheat pilav. The half-kilo of ground meat they bought a couple weeks ago to "change the flavor" of the food is not used up yet. The parents ate none of the kilo of cherries they got at the market. The 10 children divided the cherries one by one and got 5 each.

Mehmet Balkan, the father who "supports" 12 people on 35,000 liras a month is 54; the mother, Makbule Balkan, is 42. The youngest of the Balkans' 10 children is 3, the oldest 19. Father Mehmet Balkan has difficulty getting his children's names and ages right; we list them by age as recorded on their health records: Mehmet (19), Ahmet (18), Perihan (14), Suzan (13), Asiye (12), Suleyman (11), Hasan (10), Huseyin (9), Fatma (9), Emine (3). Mehmet Balkan gave his own name to his first son to perpetuate the name. A year later, Ahmet was born. After a 4-year interval, five children came each year, one after the other. Then the twins, Huseyin and Fatma, were born. Emine, this 54-year-old father's tenth child, was born 3 years ago. All of school age attended primary school, but were unable to go further.

Mehmet Balkan is from a village in Kigi District in Bingol. He moved to Istanbul 3 years ago and brought his wife and children last year. "The land left us hungry. We could not get by," says Me'met Balkan. "I would work myself. And the children would learn a trade. They would be businessmen," he had thought. He works for minimum wage for a bottled gas dealer. He makes 16,000 liras a month on the job, plus 5,000 liras for janitorial work there, a total of 21,000 liras. He gets around 4,000 liras a month in tips from the places where he delivers gas. His second son, Ahmet, brings in 10,000 liras a month shining shoes. Thus the monthly earnings of the 12-member family come to 35,000 liras.

The eldest son, Mehmet, accompanies his father as he cannot find a job. The family eats between 12 and 15 loaves of bread a day, which cost 15,000 liras a month. They pay 7,000 liras a month rent. They spend 1,000 liras a week, or 4,000 a month, on other food. That makes 26,000 liras. What happens to the remaining 9,000 liras? Mehmet Balkan answers the question this way:

"We are stretched to the limit. I have no income from the village. For breakfast, we have a little tea, some olives and the kind of cheese we call 'cokelek.' For lunch, we have soup and wheat pilav and the same thing at night, sometimes some dried beans. I have owed the grocery store 16,000 liras for 2 months. God bless him, he doesn't press too hard. So we get by. We don't go anywhere. We have no social life."

He continues: "Everybody tells me, 'A body can't live on this amount of money. Your tips are too high.' We are the poor here. Most people are worse off than we are. They buy gas on credit or borrow from a neighbor. Where are they going to get money for a delivery tip? I don't get any more than 200-300 liras a day in tips all together."

We asked Mother Makbule Balkan, "How do you manage?" She answered, "We live from day to day, praise God. If we have nothing, we manage by the grace of God. Some days we are hungry, some full. I shop once a week. It takes 1,000 liras every time. The last time I went, I bought a kilo of dried beans, a half-kilo each of tomatoes, peppers, squash and fresh beans, a bunch of parsley and a bunch of fresh onions."

She also bought a kilo of cherries recently for the 12-member family. The parents saw how few there were and ate none themselves, but divided them up for the children. Once every month or two, she buys a kilo of meat. Most recently, she bought one-half kilo of ground meat a couple of weeks ago. It has not been used up yet. Makbule Balkan's secret for making one-half kilo of meat last 2 weeks is "just to change the flavor. That's enough." Sweets are never bought at the Balkan household. Mehmet Balkan was given about a kilo of baklava at the pastry shop where he delivered gas recently. This is a family where no one has ever seen a movie. "We don't go to movies. We couldn't even if we wanted to, anyway," they say.

They have a television, given to them by their uncle "for the children." They bought a used refrigerator for 45,000 liras last year. They are paying for it in installments, 1,000 or 2,000 liras a month. Makbule Balkan does all the laundry together in one load and patches their clothes by hand. They brew their tea half-strength, are careful not to use the lights too much and never go out. Since they came to Istanbul, they have been to Fikirtepe once to visit Makbule Balkan's brother, who was ill. Mehmet Balkan has never been anywhere else. He shuttles between his home and his job within a 100-square-meter area. The older children are allowed to walk around the neighborhood. The small children do not know what a toy is. "I never taught them to play with toys. If I had, they would want more," says their mother.

Father Mehmet Balkan says he voted for Ozal in the elections because "he would make things better and bring lower prices." He says of the government, "If the nation is happy, I'm happy" and adds: "But if that is the case, there is no hope. We go where the nation goes in the elections. Basically, we pray that Allah will not let the state be destroyed. But you have to go where the nation goes or it would be like the lamb that strays from the flock: either the wolf or the dog. One should never stray from the flock."

When we asked why he had so many children, "It is not for me to think about. That is up to Allah. Ours are the village ways," said Mehmet Balkan.

ENERGY

FRANCE

ELF AQUITAINE PURSUES GABON OIL VENTURE

Paris SEMAINE DE L'ENERGIE in French 27 Jun 84 pp 7-8

[Unsigned article]

[Text] Elf Gabon's annual report for 1983 points out the continuity of the efforts expended in that country, particularly in offshore work. The policy for reviving the mining sector has been actively pursued, with the April 1983 participation of Elf Gabon in the Sette Cama Mayumba perimeter operated by Burma Oil Gabon, and in August 1983, the conclusion of the exploration and production sharing contract covering the Eyena perimeter, located offshore, south of Port-Gentil.

Following the exceptional effort of 1982, exploration remained very sustained with the drilling of 13 exploration wells and four evaluation wells, seven of which have shown or confirmed hydrocarbon deposits. Offshore, the discovery of Grand Anguille A, which was confirmed by an evaluation well, is of commercial interest. On land, the magnitude and potential of the Olende Dome discovery still have to be evaluated. In addition, two evaluation drillings for the M'Baya and M'Wengui sea deposits, located in southern Gabon, have led to positive results.

In 1984, Elf Gabon's exploration policy will be to continue the effort which it is carrying out in the southern Gabon region (whose priority is weakened by its high exploitation costs weighed against lower crude oil prices), or in intensive research near known deposits. The priority objective is to complete an evaluation of the mining sector before exploration permits terminate at the end of 1984 and 1985.

Exploitation activity has been extensive, 11 percent higher than in 1982. The development campaign for the wells at platforms B and C in the M'Baya field ended in June 1983 with very good drilling and well stimulation performances. The development of the Konzi deposit, carried out simultaneously from the two platforms, started in May and ended in December. Tied directly to the Cap Lopez terminal by a 70-km pipeline, Konzi was placed in production in January 1984 at the rate of 1000 cubic meters per day. Development of the Baudroie

deposit also started in December 1983. And just as in preceding years, a significant portion of the activity was devoted to developments and complementary work at fields under exploitation, such as Anguille, Grondin, Torpille, and Barbier.

The production share for Elf Gabon was 4.94 Mt (3 percent less than in 1982), with the country's total production being 7.8 Mt. Gas production reached 81 milion cubic meters. In 1984, Elf Gabon's production should remain at the same level, while the country's total production will increase to about 9 Mt due to the contribution of deposits operated by Amoco.

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ENERGY

FRANCE

EXPERIMENTAL DEVELOPMENT OF ELECTRIC CAR BY PEUGEOT

Paris SEMAINE DE L'ENERGIE in French 27 Jun 84 p 14

[Unsigned article]

[Text] "The electric car is no longer a gadget, and it will probably be introduced in the next five years," declared Mr Chavannes, chief executive officer of Leroy-Sommer, an enterprise specializing in the production of electric motors. The United States and Japan are very advanced in this area, all the European car manufacturers are studying it, and "France must not allow itself to be overtaken by the others and miss the electric car turning point, as it has missed the one for robots." Mr Chavannes stressed that current research vehicles are not marketable for the time being, such as the electric 205 developed by Peugeot with Leroy-Sommer for its motor and Saft (CGE group) for its batteries. The new Peugeot 205 is very economical (7 francs per 100 km), silent, and non-polluting, but it is also very expensive and is a modest performer. It is essentially designed for city use: average range of 140 km without recharging, top speed of 100 km/h, 50 km/h in 11.6 sec from a standing start, 10 hours of recharging at a 16 ampere plug, and a five-fold reduction in "fuel" cost.

No indication of price was given, except that it would essentially be inversely proportional to the savings obtained, as in the case of diesel models. Equipped with an automatic electrolyte filling system, the batteries have a total weight of 300 kg, and have twice the performance and four times the strength of present lead batteries. According to Saft, market development could make it possible to build a second plant with 500-600 employees. The Leroy-Sommer president estimates that several hundred million francs would have to be invested in order to achieve a production of 20,000 cars in 1990.

Up to now, the Peugeot 205 has required an investment of 7 MF (million francs) at Peugeot, 3 MF of which were subsidized by the French Agency for Energy Mastery (AFME), the project's sponsor. At Saft, the program to perfect iron-nickel batteries represents an investment of 15 MF which has already been

made. The three-year development plan amounts to 30 MF, of which 6 MF are subsidized by AFME and the Ministry of Industry. Ultimately, the development of this type of urban vehicle could lead to significant energy savings, since urban traffic consumes one-quarter of the gasoline in France, namely 14 GF per year, and could create about 3000 jobs by 1990 if some 20,000 vehicles are placed in operation.

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ENERGY

FRANCE

BRIEFS

ESSO-SAF'S EFFORTS AT CHAUNOY--France--At the general meeting of Esso-SAF, its president, Michel Kopff, declared that the company will invest more than one billion francs to bring oil production at the Chaunoy field, in Brie, from 250,000 t in 1984 to 500,000 t in 1986. The results obtained with this Brie permit, which will allow Esso-SAF to comfortably compensate for the decline in the Landes deposits, will be reflected only in future reports. For the 1983 fiscal year, Esso, which has achieved a profit of 334 million francs, will distribute 238 million in dividends, which is the same level as that of the preceding three years. [Text] [Paris SEMAINE DE L'ENERGIE in French  
27 Jun 84 p 9] 11,023

CSO: 3519/399

## FIRM TO TEST DRILL ON SVALBARD FOR NATURAL GAS

Stockholm DAGENS NYHETER in Swedish 22 Jun 84 p 10

[Article by Peder Carlquist]

[Text] A Swedish consortium, Swedish Polar Energy, is being formed for the purpose of drilling for natural gas on Spetsbergen. Test drilling and geological evaluations indicate that there could be large deposits on one of the islands.

What makes the project commercially interesting--despite the inaccessible location in the Polar Sea--is that the gas could be very cheap. Swedish companies would have to pay very minimal taxes to Norway for extraction.

Svalbard--which is now the official name of the group of islands--has a status under international law that gives the countries signing the Svalbard Treaty almost free access to its natural resources.

Sweden is one of around 40 signatory powers.

#### Cooling Process

The plan is to cool the gas down to liquid form, known as LNG, liquefied natural gas, which would be transported to customers by tanker. The price would be competitive in spite of the investments needed.

The idea for the project came from geologist Fred Goldman who is now seeking financial backers with the help of the consultant firm, Asbjorn Habberstad. DAGENS NYHETER has learned that several parties are interested.

One of those approached was the municipality of Stockholm which would consider investing money if the project is deemed feasible by the State Energy Board. Jan-Erik Ryman, executive director of the Stockholm Energy Board, had this to say:

"The tempting thing about the Svalbard gas is the unusually low price. But since projects like this always use unrealistic estimates when they are

first presented we doubled the price and it could be even higher than that and still be competitive.

#### Alternative

"In addition, gas at this price has the advantage that it could be used directly in regional heating plants as an alternative to coal or oil. We would not--as was the case in the so-called Ostgas project--be dependent on a single supplier.

"I have recommended that the municipality invest 25 million kronor if Goldman can find five other industrially-experienced financial backers who will each invest an equal amount," said Jan-Erik Ryman.

Fred Goldman and other interested parties have now asked the State Energy Board for 60 million kronor for prospecting.

The Energy Board would not comment on the project since applications are kept secret.

"I can confirm that we received an application and that we will take a stand on it within the next few days," said general director Carl Tham.

#### Sensitive

Fred Goldman would not comment on the project either, saying that it was in a sensitive negotiating situation with both Sweden and Norway.

The negotiations with Norway will include how large a share of the finds will be claimed by the Norwegian authorities. Under the treaty Norway has a right to 25 percent of all natural resources on Svalbard.

Swedish Polar Energy is working with the Norwegian prospecting firm, Norwegian Polar Navigation, which is backed by other Norwegian financers. To begin with both firms will invest 150 million Swedish kronor apiece and share whatever is found on a 50-50 basis.

The first stage of the timetable is to drill four new holes with a maximum depth of 2.5 km. In the hole already drilled they had to stop drilling at a depth of 1 km because gas was discovered with so much pressure behind it that there was a risk of a so-called blow-out.

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## PANEL URGES CONTROL OF NITROGEN OXIDE EXHAUSTS

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[Article by Lennart Lundegardh: "Offensive Against Pollution--Cleaner Auto Exhaust Is a Goal"]

[Text] Now an offensive is also beginning against nitric oxide exhaust, which is largely responsible for the ongoing pollution of the environment. Automobile exhaust is an important target of attack.

The special working group appointed by the government against pollution presented working materials to Minister of Agriculture Svante Lundkvist on Monday.

It is a collection of measures which concerned heads of activities--with Nature Conservancy Board's Valfrid Paulsson as coordinator--consider should be carried out.

The goal is to achieve a 30 percent reduction of nitric oxide emissions by the year 1995, a parallel with the objective on the sulfur side.

To attain that, nitric oxide emissions from automobiles must be greatly reduced. That means the strict U.S. requirements for cleaning exhaust gas (1983 requirements) must be instituted here from 1987.

Cost 600 Million

"The result depends on whether the Nordic countries, West Germany, Holland, Austria and Switzerland can agree on the measures," said the head of research of the Nature Conservancy Board, Goran Persson. "If we begin to discuss changes in the U.S. requirements, that will be difficult."

Of course there is urgency. For that reason Svante Lundkvist has invited the above countries for discussions on 24 August.

The cost of cleaning up automobile exhaust has been estimated at 600 million kronor per year.

Much nitrogen is also emitted from installations where coal and oil are burned. It can be reduced by various means, but here the environmental gains are perhaps not as great. The costs are expected to be about 180 million kronor per year.

As for the sulfur emissions, it is partly a matter of carrying out programs already decided upon, and also of going farther in the fight against industrial emissions.

#### Fallout Declines

"The fact is that the sulfur emissions, with the current and coming restrictions, will decline by 65 percent during the period 1980-95," said Goran Persson. The figure is even better if one compares it with when it was the worst, in the beginning of the 1970's.

The increased cost for continued sulfur reductions is estimated at 150 million per year. The total for the offensive should therefore be around one billion kronor.

So the environment will have its chance.

"The fallout of sulfur over Sweden is actually reduced from about 700,000 tons per year in the beginning of the 1970's to an estimated 400,000 tons in 1995. That gives us breathing room," said Goran Persson with optimism in his voice.

#### Tested

International solidarity is going to be tested. France, for example, can hardly be counted on when it comes to more strict automobile exhaust requirements.

On the other hand there are signs that indicate that the British are becoming aware of the sulfur threat.

On 30 August the government action group will have its final document completed.

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